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ABSTRACT

Information for postsecondary institution financial aid administrators on the major federal student financial aid programs authorized under Title IV of the Higher Education Act (HEA) of 1965 and its amendments is provided. Nine chapters cover the following: (1) introduction (office of student financial assistance organization, debt collection and management assistance service organization); (2) general program requirements (student eligibility, overview of financial need, using the federal processing system, institutional eligibility, administrative and fiscal standards, financial aid transcript, refund and repayments, agreements between schools, special institutional circumstances, citizenship status); (3) state grant programs (State Student Incentive Grant program, Robert C. Byrd Honors Scholarship program, Paul Douglas teacher scholarship program, directory of state agency addresses and officials); (4) Pell Grant Program (student eligibility, calculating the Pell Grant, special program considerations, disbursing Pell Grant awards, recalculating Pell Grant awards, overpayments and overawards, reporting expenditures); (5) campus-based programs (institutional responsibilities, funds allocation, student eligibility, need analysis, fiscal operations report and records requirement, administrative cost allowance); (6) Perkins Loan program (eligibility, making and disbursing loans, repayment, deferments, cancellation, loan collection, required promissory note provisions); (7) College Work-Study (CWS) program (developing jobs, paying students, employment during periods of non-enrollment, earnings applied to cost of attendance, use of CWS funds, job location and development programs, community service learning program); (8) Supplemental Educational Opportunity Grant Program (disbursing funds, transferring funds, federal share limitations); and (9) Guaranteed Student Loans, Parent Loans for Undergraduate Students program--PLUS and supplemental loans for students (eligibility, terms of loans, loan application process, payment to student, counseling student, additional requirements and responsibilities of schools). (SM)

United States
Department of
Education

Office of
Student Financial
Assistance

1988-89

The Federal Student Financial Aid Handbook

Chapter One
Introduction

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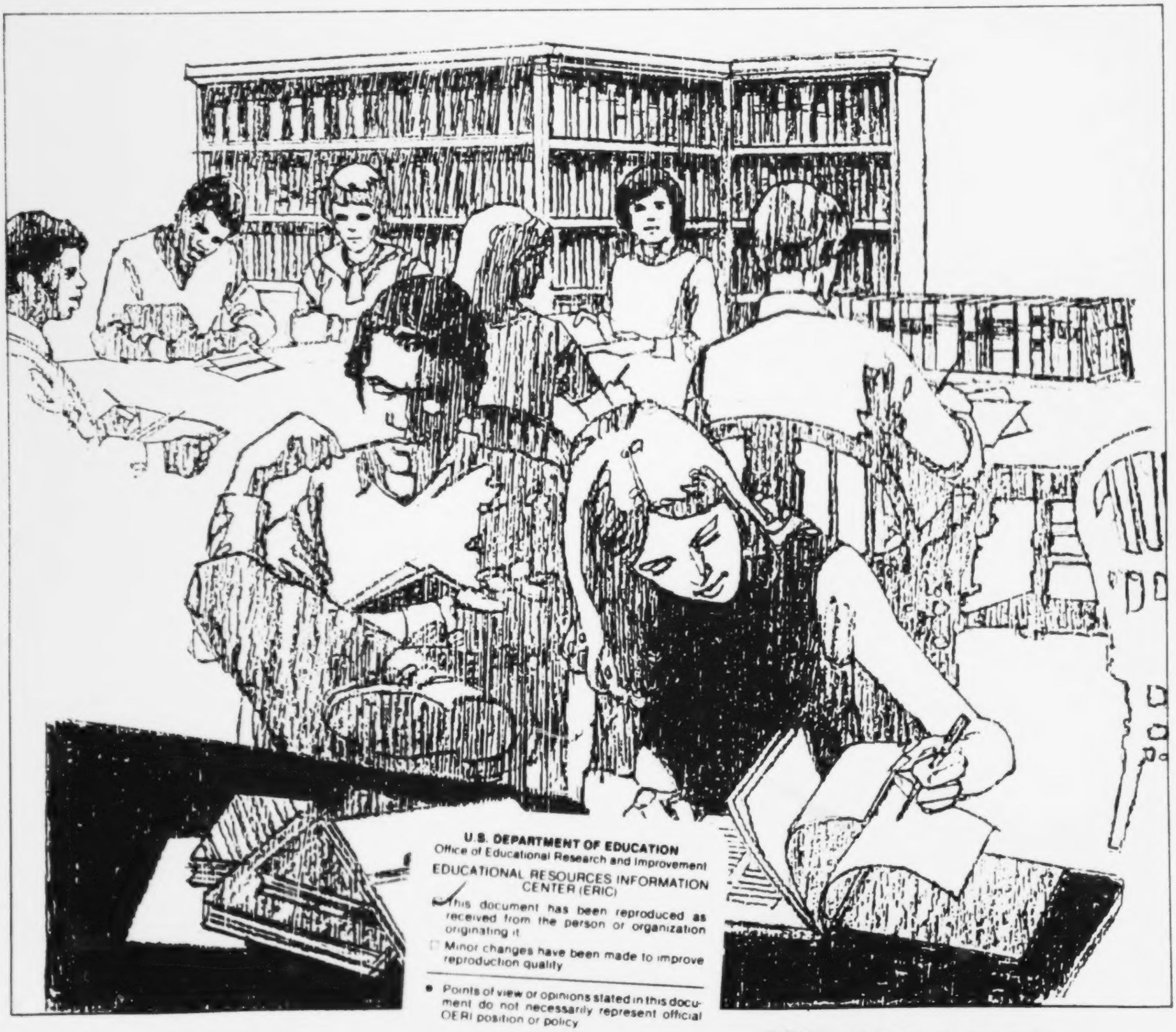

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INTRODUCTION

Purpose of the *Handbook*

The Major Student Aid Programs

This *Handbook* provides detailed information for postsecondary institutional financial aid administrators on the major Federal student financial aid programs authorized under Title IV of the Higher Education Act (HEA) of 1965, and its amendments: Pell Grants, Supplemental Educational Opportunity Grants (SEOG's), College Work-Study (CWS), Perkins Loans (formerly National Direct Student Loans [NDSL's]), Guaranteed Student Loans (GSL's), PLUS Loans, Supplemental Loans for Students (SLS's), Consolidation Loans, Income Contingent Loans (ICL's), State Student Incentive Grants (SSIG's), and the Robert C. Byrd Honors Scholarship Program. Chapter Three of the *Handbook,* which covers the State grant programs, also includes the Paul Douglas Teacher Scholarship Program, which is authorized under Title V of the HEA, as amended. (**Note:** During the 1988-89 award year, the ICL Program will be operated as a demonstration project at 10 schools, and may be more widely available in 1989-90.)

Program Administration & *Handbook* Organization

These programs are administered through the Department of Education (ED) by the Office of Postsecondary Education (OPE). Chapter One of the *Handbook* provides an organizational summary of the Office of Student Financial Assistance (OSFA) and the Debt Collection and Management Assistance Service (DCMAS), which are part of OPE. Section One of the Chapter covers OSFA, while Section Two covers DCMAS. Chapter Two covers the General Provisions of the Federal student aid programs, while Chapters Three through Nine cover the programs individually.

Use of *Handbook* in Conjunction with other Reference Materials

In administering these Federal student aid programs at their institutions, financial aid administrators should use this *Handbook*, along with the authorizing statutes and the applicable program regulations. In addition to the statutes and regulations, financial aid administrators should be aware of updates to program information that are printed throughout the year in "Dear Colleague" letters, question and answer bulletins, lender bulletins, and in other program update notices. Any regulations or statutes that become effective after the *Handbook's* publication date will supersede the *Handbook*, when there is a conflicting statement.

SECTION ONE:
OFFICE OF STUDENT FINANCIAL ASSISTANCE (OSFA) ORGANIZATION

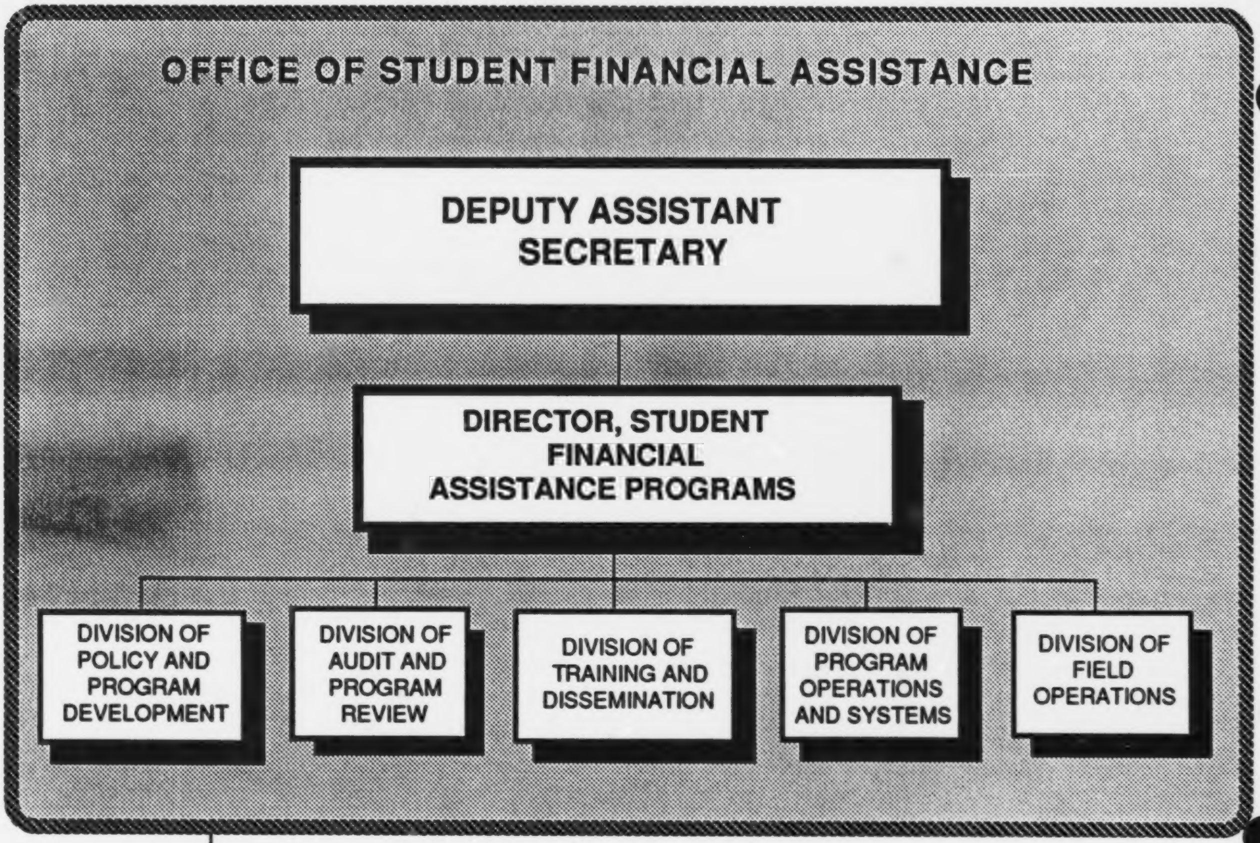
Office of the Deputy Assistant Secretary 732-3391

The Office of the Deputy Assistant Secretary (ODAS) for Student Financial Assistance has the overall responsibility for administering the student financial aid programs and for developing the policies and procedures to meet the objectives of those programs. The Deputy Assistant Secretary, the Director of Student Financial Assistance Programs, and four special assistants are all within the immediate office.

Director, SFA Programs

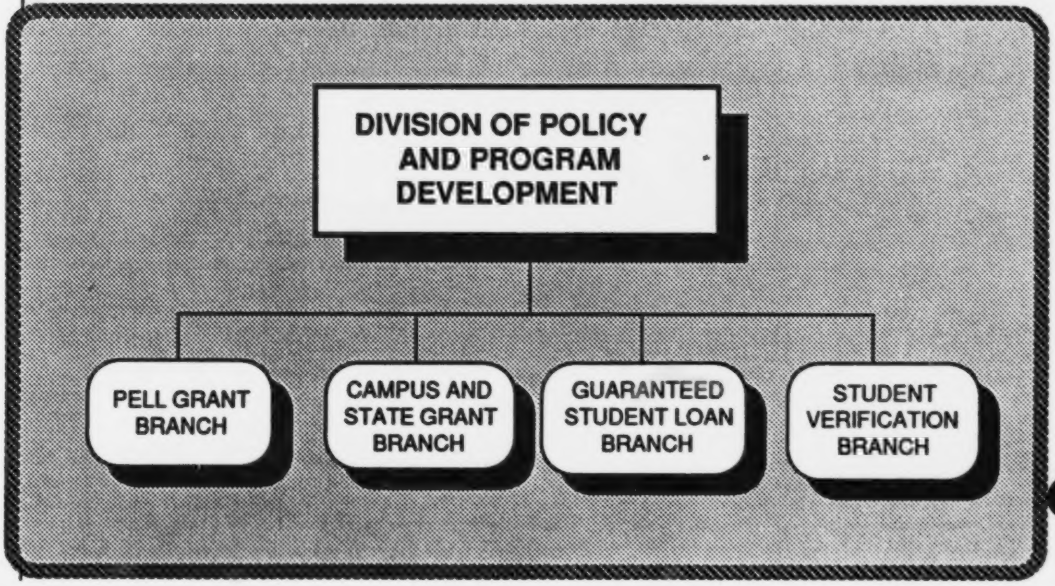
The Director, Student Financial Assistance Programs, monitors the day-to-day program activities within OSFA to ensure coordination and programmatic effectiveness across division lines.

The OSFA central office has five divisions organized by function rather than by program, although the Division of Policy and Program Development and the Division of Program Operations and Systems have branches relating to specific programs administered by the Office. Shown at the top of the next page is a chart of the OSFA organization down to the division level. Following that chart, the five OSFA divisions and their functions are described separately, together with the telephone numbers for the divisions, and the branches (and in some cases, the sections) within those divisions. The area code for all OSFA central office numbers is 202.


OFFICE OF STUDENT FINANCIAL ASSISTANCE
DEPUTY ASSISTANT SECRETARY
DIRECTOR, STUDENT FINANCIAL ASSISTANCE PROGRAMS
DIVISION OF POLICY AND PROGRAM DEVELOPMENT
DIVISION OF AUDIT AND PROGRAM REVIEW
DIVISION OF TRAINING AND DISSEMINATION
DIVISION OF PROGRAM OPERATIONS AND SYSTEMS
DIVISION OF FIELD OPERATIONS

The Five OSFA Divisions

DIVISION OF POLICY AND PROGRAM DEVELOPMENT: 732-5217


DIVISION OF POLICY AND PROGRAM DEVELOPMENT
PELL GRANT BRANCH
CAMPUS AND STATE GRANT BRANCH
GUARANTEED STUDENT LOAN BRANCH
STUDENT VERIFICATION BRANCH

Division Responsibilities

The Division of Policy and Program Development (DPPD) is responsible for developing, coordinating, and analyzing student financial aid policies and programs. It reviews all program materials for consistency with established policy and procedures, develops policy manuals, and develops and clears application forms. It also develops budget requests and justifications, formulates program requirements and procedures, and develops regulations. DPPD analyzes the impact and cost of legislative initiatives. It also provides authoritative advice on student assistance programs and performs special assignments for the agency.

PELL GRANT BRANCH (732-4888)

The Pell Grant Branch performs the functions of the Division of Policy and Program Development as they relate to the Pell Grant Program.

Analysis Section 732-4888

The Analysis Section is responsible for developing and analyzing long-range program management and policy issues; projecting program impact for alternative regulatory, legislative, and program changes; determining information needs for analysis of program objectives; and analyzing trends for legislative, policy, and budgetary purposes. The Section, in conjunction with the Policy Section, develops application forms and related materials.

Policy Section 732-4888

The Policy Section is responsible for developing and interpreting program policies and procedures, including developing and updating policy manuals, program regulations, and proposed legislative amendments. The Section, in conjunction with the Analysis Section, develops applications and related materials. The Section also coordinates the Pell Grant Program across division lines.

CAMPUS AND STATE GRANT BRANCH (732-3963)

The Campus and State Grant Branch performs the functions of the Division of Policy and Program Development as they relate to the Perkins Loan, CWS, and SEOG (campus-based) Programs.

Coordination Between OSFA & States

It is also responsible for coordination between OSFA and the States on student financial aid, and for developing, administering, operating, and monitoring the SSIG, the Paul Douglas Teacher Scholarship (formerly called the Congressional Teacher Scholarship or the Carl D. Perkins Scholarship), the Robert C. Byrd Honors Scholarship, and the Income Contingent Loan (ICL) Programs.

Analysis Section 732-3963

The Analysis Section is responsible for analyzing long-range program management and policy issues; projecting program impact for alternative regulatory, legislative, and program changes; determining information needs for analysis of program objectives; and analyzing trends for legislative, policy, and budgetary purposes.

Policy Section 732-4490

The Policy Section performs planning activities for the campus-based programs, including defining program goals and objectives, assessing and evaluating the effectiveness of program activities in achieving those goals, and identifying and implementing policy changes needed to achieve goals and objectives.

The Section determines, clears, and interprets program policies and procedures. This includes developing and updating policy manuals, program regulations, and proposed legislative amendments. The Section is also responsible for developing appropriate application and program-related forms, and for coordinating the campus-based programs across division lines.

SSIG Section 732-4507

In addition to administering the SSIG Program, the State Student Incentive Grant Section is responsible for administering the Paul Douglas Teacher Scholarship (formerly called the Congressional Teacher Scholarship or the Carl D. Perkins Scholarship), and the Robert C. Byrd Honors Scholarship Programs. It is responsible for policy and analysis, as well as fiscal operations functions.

The SSIG Section develops and applies standards for review of State program agreements, reviews and approves State agency applications for funds, manages annual allocations and reallocations of funds, monitors program operations to ensure State agency compliance with Federal requirements, develops regulations and legislative proposals, and provides guidance to State agencies on policy and procedural issues.

GUARANTEED STUDENT LOAN BRANCH (732-4242)

The Guaranteed Student Loan Branch performs the functions of the Division of Policy and Program Development as they relate to the GSL, PLUS, SLS, and Consolidation Loan Programs.

Analysis Section 732-4242

The Analysis Section analyzes long-range program management and policy issues; projects programmatic impact of alternative regulatory, legislative, and operational changes; determines information needs for analysis of program trends and objectives; and prepares the program budget and supporting information. The Section also recommends and develops plans for evaluation studies, and participates in issuing and reviewing contracts for these studies.

Policy Section 732-4242

The Policy Section performs planning activities for the GSL, PLUS, SLS, and Consolidation Loan Programs, which includes defining program goals and objectives, assessing and evaluating the effectiveness of program activities in achieving those goals, and identifying and implementing policy changes needed to achieve goals and objectives.

The Section determines and interprets program policies and procedures. This includes developing and updating policy manuals, program regulations, and proposed legislative amendments. The Section also coordinates the GSL, PLUS, SLS, and Consolidation Loan Programs across division lines.

STUDENT VERIFICATION BRANCH (732-5577)

The Student Verification Branch is responsible for detecting and preventing misreporting and/or suspected misrepresentation and abuse of student financial aid programs in the application process.

Verification Development Section 732-5579

The Verification Development Section develops the overall policies and procedures for verifying the accuracy and appropriateness of data reported by students and parents. Associated tasks include developing, analyzing, and revising the criteria under which applicants are selected for verification, writing the regulations and guidelines governing the implementation of verification at postsecondary institutions, providing interpretation of legislation and regulations, and assisting the financial aid community with verification concerns in writing, by telephone, and through various publications such as the annual Verification Guide.

Additional tasks include working with the MDE and need analysis agencies to assure consistency in implementing need analysis procedures, testing those agencies' verification selection systems as well as the verification selection system of the central application processor to assure selection accuracy, developing the methods and procedures used by financial aid administrators to verify data contained on Title IV Federal student aid applications, working with the IRS on verification issues, and representing verification concerns to ED management.

Case Processing Section 732-5575

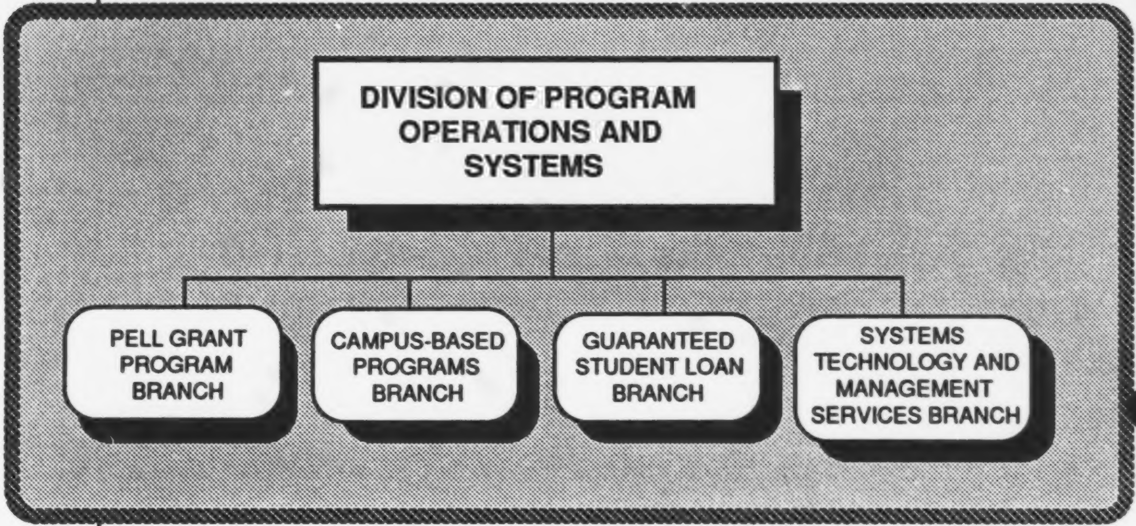
The Case Processing Section reviews cases referred to ED by institutions when:

- ☐ There are differences between the financial aid administrator and the student or parent
- ☐ The student received an overpayment, or
- ☐ The student is suspected of having deliberately misreported information.

The Section also reviews and evaluate cases referred by the Inspector General and other offices within the Department of Education.

Note: The Section only resolves cases in which the student has already received Title IV funds. The Section also provides technical assistance to financial aid administrators, students, and parents on verification cases.

DIVISION OF PROGRAM OPERATIONS AND SYSTEMS: 732-3701


DIVISION OF PROGRAM OPERATIONS AND SYSTEMS
PELL GRANT PROGRAM BRANCH
CAMPUS-BASED PROGRAMS BRANCH
GUARANTEED STUDENT LOAN BRANCH
SYSTEMS TECHNOLOGY AND MANAGEMENT SERVICES BRANCH

Division Responsibilities

The Division of Program Operations and Systems (DPOS) is responsible for the delivery and control of Federal funds and services authorized for the major Federal student financial assistance programs: Pell Grants, Supplemental Educational Opportunity Grants (SEOG's), College Work-Study (CWS), Perkins Loans (formerly National Direct Student Loans [NDSL's], and Guaranteed Student Loans (GSL's)/PLUS Loans/Supplemental Loans for Students (SLS's)/Consolidation Program Loans. PLUS and SLS Loans are part of the GSL Program.

Funding Levels & Institution Involvement

Student aid fund delivery and control involves over $6 billion in annual Federal funds, and over $8 billion in annual insured student loans, and the interaction with more than 8,000 postsecondary institutions and more than 10,000 lending institutions and guarantee agencies throughout the United States, the Republic of Palau, and other entities affected by the Compact of Free Association.

Additional Division Responsibilities

The Division develops and implements operational policies and procedures for the delivery of program services, the control and accountability of funds, and the design, development, and maintenance of automated accounting and management information systems. Additionally, the Division is responsible for processing funding requests and issuing award documents and authorizations, fund reconciliation, payment of interest billings and special allowance for insured loans, payment of default claims to lenders and guarantee agencies, collection of insurance premiums, payment of claims for death, disability, and bankruptcy, and for teacher/military cancellations and reimbursements.

The Division is responsible for administering over $20 million annually in contracts that support program delivery. The Division is also responsible for program data base management, developing both short- and long-range program Automated Data Processing (ADP) requirements, designing and developing new systems and modifying existing systems, implementing and maintaining all operational systems, and ensuring quality control. The Division provides overall guidance and technical assistance to postsecondary institutions, lending institutions, State and non-profit guarantee agencies, regional offices, and to other interested parties regarding the following: the delivery and recovery of program funds, information on the accountability for funds, the closing of awards, and technical information on the operation of the programs. In performing the above tasks, the Division oversees the establishment and monitoring of internal controls to prevent fraud, waste, and abuse.

Division Organization

The Division is organized into four branches. These are the Systems Technology and Management Services Branch, the Campus-Based Programs Branch, the Guaranteed Student Loan Branch, and the Pell Grant Branch.

SYSTEMS TECHNOLOGY AND MANAGEMENT SERVICES BRANCH (732-4840)

This Branch is responsible for strategic planning for all student financial aid programs ADP systems; designing, developing, and maintaining cross-cutting management information systems; providing microcomputer support; and monitoring standardization for data common to all programs and compliance with applicable ADP standards.

The Branch is also responsible for cross-cutting program analysis, resource, financial, and procurement planning functions; ensuring compliance with financial and accounting requirements and standards; coordinating Division Quality Control and internal audit activities; and coordinating Division administrative functions.

CAMPUS-BASED PROGRAMS BRANCH (732-3711)

The Campus-Based Programs Branch is responsible for all operational aspects of the campus-based programs, including the allocation of funds to institutions; fund control; systems requirements, modifications, and maintenance; and other operational activities. The campus-based programs are: Perkins Loans (formerly National Direct Student Loans), Supplemental Educational Opportunity Grants, College Work-Study, and Income Contingent Loans. The Branch is also responsible for the development of the annual report/application form (FISAP). The Branch provides technical assistance and authoritative advice to postsecondary institutions regarding authorization of funds withdrawal, proper accounting and use of such funds, and administration of the Perkins Loan Fund.

GUARANTEED STUDENT LOAN BRANCH (732-3711)

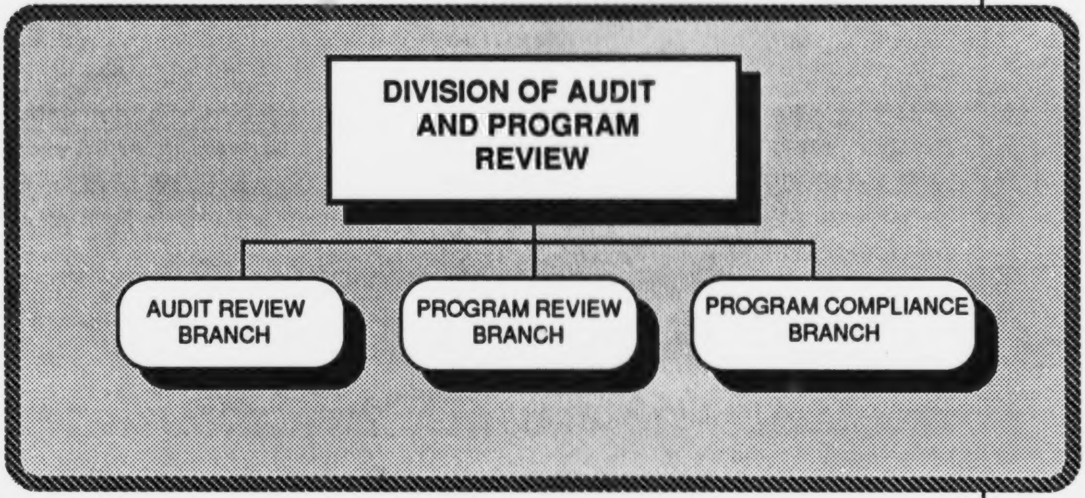
The Guaranteed Student Loan Branch is responsible for all operational functions of the Guaranteed Student Loan (GSL) Program. This includes all program and systems activities for the Federal Insured Student Loan (FISL) Program which include the following: processing and payment of interest and special allowance to lending institutions, payment of claims, processing of collections on defaulted loans, and reporting activities on schools, lenders, and students. This also includes all program and systems activities for the portion of the GSL Program administered by the guarantee agencies which include: payment of reinsurance claims, administrative cost allowance and advance funds, processing of reinsurance collections and quarterly reports, and processing of interest and special allowance to lending institutions.

PELL GRANT BRANCH (732-3693)

The Pell Grant Branch is responsible for all aspects of development, design, implementation, and management activities related to the delivery of the Pell Grant Program to postsecondary institutions and/or students. The Branch administers and operates the Pell Grant Application Processing System, the Pell Grant Multiple Data Entry Systems, the Pell Grant Data Preparation System, and the Pell Grant Disbursement System, which disburses funds to students through institutions, manages fund control and fiscal accounting, determines a variety of systems needs (requirements, design enhancements, and modifications), and maintains operating systems. The Branch also administers the residual functions and responsibilities for the Alternate Disbursement System (ADS).

In addition, the Branch establishes and provides administrative allowance payments to participating institutions, provides technical assistance and authoritative advice to postsecondary institutions regarding authorization of funds to be drawn down, and proper accounting for and use of such funds and procedures to close prior year Federal and institutional accounts.

DIVISION OF AUDIT AND PROGRAM REVIEW: 732-3197


DIVISION OF AUDIT AND PROGRAM REVIEW
AUDIT REVIEW BRANCH
PROGRAM REVIEW BRANCH
PROGRAM COMPLIANCE BRANCH

Division Responsibilities

The Division of Audit and Program Review (DAPR) is responsible for monitoring postsecondary and financial institutions' administration of Title IV student financial assistance programs through audit review and program review activities, and administering the fine, limitation, suspension and termination authority.

AUDIT REVIEW BRANCH (732-3208)

ARB Functions are carried out by Three Sections

The Audit Review Branch (ARB) analyzes and reviews all audits of OSFA's student financial aid programs to determine if institutional administration of the program(s) conforms with the statutes, regulations, and established policies. It advises institutions of any necessary corrective actions or monetary reimbursements required as a result of audit findings. The Branch also monitors institutional adherence to the biennial audit requirement. The Branch has three sections: Section 1 carries out all Branch functions for institutions located in regions V, VII, VIII, and X; Section 2 carries out all Branch functions for institutions located in regions III, VI and IX; and Section 3 carries out all Branch functions for institutions located in regions I, II, and IV.

PROGRAM REVIEW BRANCH (732-3182)

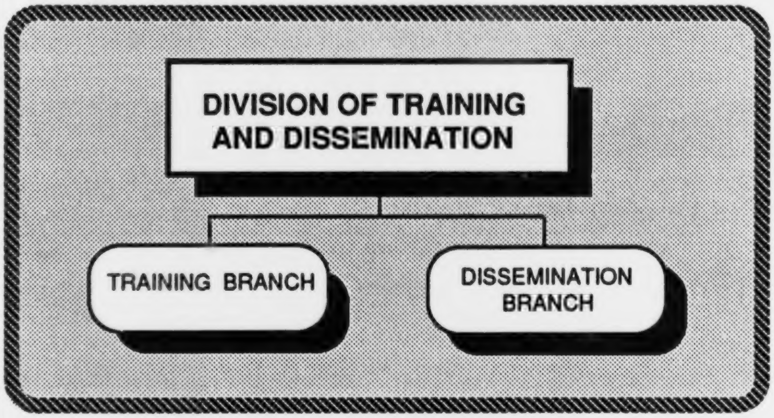
Institutional matters are handled by Three Sections

The Program Review Branch develops standard guidelines and operating procedures for program reviews; prepares and distributes reports on the findings, resolutions, and repayment of Federal funds directly attributable to the program review effort; and develops criteria for identifying institutions to be reviewed. The Branch also conducts program reviews and certification reviews at postsecondary and financial institutions participating in the Title IV student aid programs. The Branch has three sections: Section I has first priority for handling institutional matters in regions I-V; Section II has first priority for institutional matters in regions VI-X; and Section III has first priority for handling GSL matters.

PROGRAM COMPLIANCE BRANCH (732-3179)

The Program Compliance Branch administers the procedures used in taking fine, limitation, suspension, termination, and emergency actions against the participating institutions and lenders. It also helps to prepare and to coordinate civil litigation activities and cases with the ED Office of General Counsel and the Department of Justice. The Branch also administers the Division's funding control actions, by placing, removing, and transferring institutions from one type of payment system to another.

DIVISION OF TRAINING AND DISSEMINATION: 732-3134



Division Responsibilities

The Division of Training and Dissemination is responsible for all OSFA-sponsored training and dissemination activities. The Director's office coordinates and plans all activities with other senior staff in OSFA to establish priorities and allocate resources for training.

TRAINING BRANCH (732-3146)

The Training Branch directs and carries out OSFA-sponsored training activities on the Title IV student financial aid programs. It assesses training needs, determines the methods to be used, and develops and evaluates training programs. The Training Branch delivers training or directs the delivery of training by Regional Office staff or contractors. Training is targeted at OSFA staff and the financial aid community. The latter includes postsecondary institution personnel, high school counselors, and staff of State aid/loan guarantee agencies and lending institutions.

DISSEMINATION BRANCH (732-3154)

The Dissemination Branch distributes information about OSFA programs through publications, public media announcements, attendance and technical assistance at meetings and conferences, and distribution of brochures and technical publications to institutions, State agencies, student organizations, and other groups interested in student financial aid. The Branch provides the central communications services for OSFA and handles the printing and distribution of OSFA forms and publications. It also responds to most public inquiries received by OSFA, whether written or verbal. It assesses the information needs of the various groups served by OSFA and develops materials and delivery techniques to meet those needs.

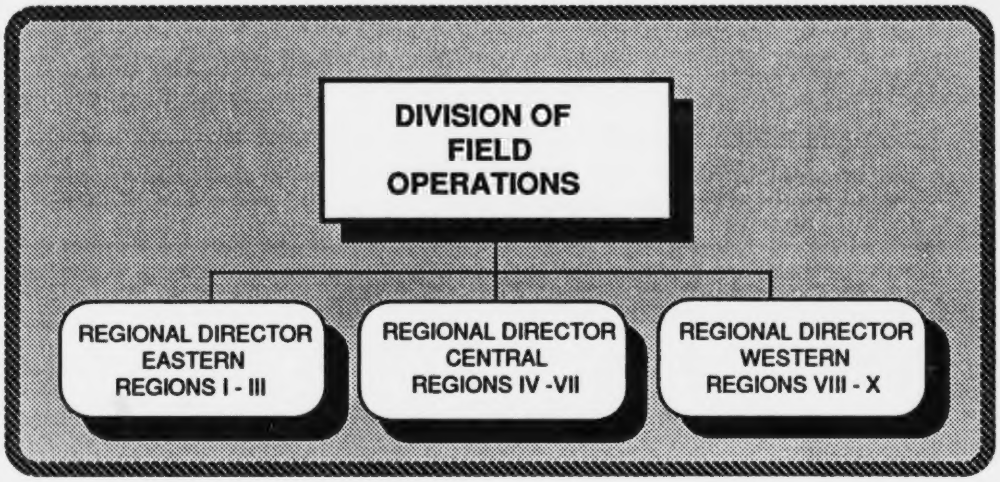
Information Section 732-3154

The Information Section is responsible for responding to telephone inquiries from the general public, congressional offices, and the education community concerning OSFA programs. These inquiries range from general information to technical problems concerning students and institutions. The Section also exhibits and disseminates OSFA materials at national and regional educational conferences, assists in developing and designing OSFA public-use forms and coordinates OMB clearance of those forms, and manages OSFA's records retention activity. The Section develops and maintains dissemination networks for all of OSFA's publications and information dissemination contracts. It also orders and supervises the delivery of essential supplies to certain OSFA contractors.

Development Section 732-3152

The Development Section writes, edits, and prepares final copy for a variety of OSFA publications intended for a variety of audiences: financial aid administrators, high school counselors, parents, students, financial aid recipients, and the general public. It selects appropriate media and develops informational materials for specialized audiences (for example, handicapped, Spanish-speaking) and writes and maintains the standard paragraphs and form letters used in responding to OSFA's control and general correspondence on Title IV programs. The Section also handles all telecopier services for OSFA.

DIVISION OF FIELD OPERATIONS: 732-5192


DIVISION OF FIELD OPERATIONS
REGIONAL DIRECTOR EASTERN REGIONS I - III
REGIONAL DIRECTOR CENTRAL REGIONS IV -VII
REGIONAL DIRECTOR WESTERN REGIONS VIII - X

Division Responsibilities

The Division of Field Operations implements critical functions in the field through the regional offices. These functions include conducting program reviews of participating postsecondary institutions, lenders, and guarantee agencies; conducting certification reviews of postsecondary institutions; providing technical assistance to those recipient groups, and to the general public in correctly implementing the student financial aid programs administered by OSFA; and providing training programs for the financial aid community. The Division also performs other selected assignments and functions as needed to assist the central office units.

DFO implements the program review function in accordance with program review policies and procedures established by the Division of Audit and Program Review. DFO also provides training to the financial aid community in accordance with policy direction and curriculum materials developed by or in cooperation with the Division of Training and Dissemination.

The Director of Field Operations and his/her immediate staff members (who are located in headquarters) plan and implement overall resource allocation for the functions of the Division, negotiate new and revised assignments for DFO personnel with other offices in OSFA, and direct and monitor the accomplishments of Division objectives. Three regional directors serve as direct supervisors for a designated group of regional offices. The Eastern Regional Director is located in region I and supervises regions I, II, and III; the Central Regional Director is located in region VI and supervises regions IV, V, VI, and VII; and the Western Regional Director is located in region IX and supervises regions VIII, IX, and X.

Division Organization

DFO oversees the operation of two branches, the Institutional Review Branch (IRB) and the Guaranteed Student Loan Branch (GSLB). There is an IRB in each of the ten regional offices, a GSLB located in six of the regional offices, and a training officer in ech of the ten regional offices. There are no central office telephone numbers for the branches. Telephone numbers for the individual branches are listed with the regional office addresses following the branch functional statements.

INSTITUTIONAL REVIEW BRANCH

Branch Organization

Each region's Institutional Review Branch (IRB) performs the functions of program review and related activities for the postsecondary educational institutions in each region. This branch provides technical assistance in program administration to institutions. It recommends policy and operational improvements to central office staff, and participates as needed in special projects to assist headquarters as assigned by the Director of Field Operations. The supervisor of this branch provides administrative supervision for the training officer in each regional office. This branch also provides administrative support for the Higher Education Program's Regional Grants Representative.

Branch Responsibilities

In performing its responsibilities, the IRB staff conducts program reviews of student financial assistance programs in postsecondary educational institutions; conducts certification reviews of postsecondary educational institutions entering the campus-based programs; initiates corrective actions required to assure that Title IV funds are being properly used, and programs are being properly administered; provides technical assistance to institutions and to the general public through site visits, follow-up reports, correspondence, and telephone communications; recommends settlement terms for liabilities identified in program reviews and maintains appropriate institutional files, logs, fiscal records, and correspondence; works closely with and/or refers cases to the Office of the Inspector General and/or the Audit Review Branch (ARB) of DAPR in the central office; maintains a close liaison with the Program Review Branch (PRB) of DAPR to resolve questions of policy and liability; identifies, through analysis and application of existing policy, the need for policy development or modification; recommends reimbursement method of funding, monitoring of funds, and limitation, suspension, termination, or fine actions; facilitates accountability of Title IV funds at schools which have closed or are ceasing participation in Title IV programs; negotiates transfer of Perkins Loan funds and promissory notes from one school to another, or to the Department of Education; recommends to the central office changes in institutional Perkins Loan level of lending; and provides necessary training and dissemination, as coordinated by the Training Officer, for postsecondary institutions and other financial aid groups in the region. The IRB's within the regional offices, along with their addresses and telephone numbers, are listed below:

	INSTITUTIONAL REVIEW BRANCHES	STATES SERVED
Region I	U.S. Department of Education, Region I Office of Student Financial Assistance Institutional Review Branch J. W. McCormack Post Office and Courthouse Building 5 Post Office Square, Room 510 Boston, Massachusetts 02109 Telephone: (617) 223-9338	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
Region II	U.S. Department of Education, Region II Office of Student Financial Assistance Institutional Review Branch 26 Federal Plaza, Room 3954 New York, New York 10278 Telephone: (212) 264-4411	New Jersey, New York Puerto Rico, and Virgin Islands
Region III	U.S. Department of Education, Region III Office of Student Financial Assistance Institutional Review Branch P.O. Box 13716 3535 Market Street Philadelphia, Pennsylvania 19104 Telephone: (215) 596-0247	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia

Region IV

U.S. Department of Education, Region IV
Office of Student Financial Assistance
Institutional Review Branch
101 Marietta Tower, Suite 2203
Atlanta, Georgia 30323
Telephone: (404) 242-2099

Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee

Region V

U.S. Department of Education, Region V
Office of Student Financial Assistance
Institutional Review Branch
401 South State Street, Room 700-D
Chicago, Illinois 60605
Telephone: (312) 353-0376

Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin

Region VI

U.S. Department of Education, Region VI
Office of Student Financial Assistance
Institutional Review Branch
1200 Main Tower, Room 2150
Dallas, Texas 75202
Telephone: (214) 729-3811

Arkansas, Louisiana, New Mexico, Oklahoma, and Texas

Region VII

U.S. Department of Education, Region VII
Office of Student Financial Assistance
Institutional Review Branch
Executive Hills North, 7th Floor
10220 North Executive Hills Boulevard
Kansas City, Missouri 64153
Telephone: (816) 891-8055

Iowa, Kansas, Missouri, and Nebraska

Region VIII

U.S. Department of Education, Region VIII
Office of Student Financial Assistance
Institutional Review Branch
1961 Stout Street
Denver, Colorado 80294
Telephone: (303) 564-3676

Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming

Region IX

U.S. Department of Education, Region IX
Office of Student Financial Assistance
Institutional Review Branch
50 United Nations Plaza
San Francisco, California 94102
Telephone: (415) 556-5689

Arizona, California, Hawaii, Nevada, American Samoa Guam, Federated States of Micronesia, Palau, Marshall Islands, & the Commonwealth of the Northern Marianas

Region X

U.S. Department of Education, Region X
Office of Student Financial Assistance
Institutional Review Branch
2901 Third Avenue, Room 100
Seattle, Washington 98121-1042
Telephone: (206) 399-0434

Alaska, Idaho, Oregon, and Washington

GUARANTEED STUDENT LOAN BRANCH

Branch Organization

Each region's Guaranteed Student Loan Branch (GSLB) performs reviews of participating lenders and of guarantee agencies and related activities in its own regions and in other designated regions. Most branches handle reviews for two Federal regions. The staff members also participate as needed in special projects to assist headquarters, as assigned by the Director of Field Operations. Four of the regional offices (regions III, VII, VIII, and X) do not have GSLB's. In these regions, the lender and guarantee agency reviews will be done by one of the GSLB's in the other six regions. Region II handles the reviews for region III; region VI handles the reviews for region VII; and region IX handles the reviews for regions VIII and X.

Branch Responsibilities

In performing its responsibilities the GSLB staff conducts program reviews of guarantee agencies and Guaranteed Student Loan lenders; initiates corrective actions required to assure that Title IV funds are being properly used and programs are properly administered; monitors guarantee agency staff reviews of schools and lenders in order to assure the protection of the Federal interest and compliance with Federal requirements; provides technical assistance and service to lenders, guarantee agencies, and to the general public through site visits, follow-up reports, correspondence, and telephone communications; recommends settlement terms for liabilities identified in program reviews, and maintains appropriate files, logs, fiscal records, and correspondence; works closely with and/or refers cases to the Office of the Inspector General and/or to the ARB of DAPR in the central office; maintains a close liaison with the PRB of DAPR to resolve questions of policy and liability; identifies through analysis and application of existing policy, the need for policy development or modification; and provides necessary training and dissemination, as coordinated by the Training Officer, for lenders, guarantee agencies, and other financial aid groups in the designated regions. The GSLB's within the regional offices, along with their addresses and telephone numbers, are listed below:

	GUARANTEED STUDENT LOAN BRANCHES	STATES SERVED
Region I	U.S. Department of Education, Region I Office of Student Financial Assistance Guaranteed Student Loan Branch J. W. McCormack Post Office and Courthouse Building 5 Post Office Square, Room 510 Boston, Massachusetts 02109 Telephone: (617) 223-9333	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

Region II

U.S. Department of Education, Region II
Office of Student Financial Assistance
Guaranteed Student Loan Branch
26 Federal Plaza, Room 3954
New York, New York 10278
Telephone: (212) 264-8284

New Jersey, New York, Puerto Rico, Virgin Islands Delaware, District of Columbia, Maryland, Pennsylvania,Virginia, and West Virginia

Region III

No Guaranteed Student Loan Branch
(served by Region II)

Region IV

U.S. Department of Education, Region IV
Office of Student Financial Assistance
Guaranteed Student Loan Branch
101 Marietta Tower, Suite 2203
Atlanta, Georgia 30323
Telephone: (404) 242-0526

Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee

Region V

U.S. Department of Education, Region V
Office of Student Financial Assistance
Guaranteed Student Loan Branch
401 South State Street, Room 700-D
Chicago, Illinois 60606
Telephone: (312) 353-0377

Illinois, Indiana, Michigan Minnesota, Ohio, and Wisconsin

Region VI

U.S. Department of Education, Region VI
Office of Student Financial Assistance
Guaranteed Student Loan Branch
1200 Main Tower, Room 2150
Dallas, Texas 75202
Telephone: (214) 729-3811

Arkansas, Louisiana, New Mexico, Oklahoma, Texas, Iowa, Kansas, Missouri, and Nebraska

Region VII

No Guaranteed Student Loan Branch
(served by Region VI)

Region VIII

No Guaranteed Student Loan Branch
(served by Region IX)

Region IX

U.S. Department of Education, Region IX
Office of Student Financial Assistance
Guaranteed Student Loan Branch
50 United Nations Plaza
San Francisco, California 94102
Telephone: (415) 556-1630

Arizona, California, Hawaii, Nevada, American Samoa Guam, Federated States of Micronesia, Palau, Marshall Islands, Commonwealth of the Northern Marianas, Colorado, Montana, North & South Dakota, Utah, Wyoming, Alaska, Idaho, Oregon, & Washington

Region X

No Guaranteed Student Loan Branch
(served by Region IX)

SECTION TWO: DEBT COLLECTION AND MANAGEMENT ASSISTANCE SERVICE (DCMAS) ORGANIZATION

DCMAS Organization

The DCMAS organization coordinates the Department's student and institutional construction loan collection efforts, designs and implements ADP and office automation plans and quality control and error reduction programs, and works to improve the productivity of OPE operations.

Immediate Office of the Director of DCMAS 732-4448

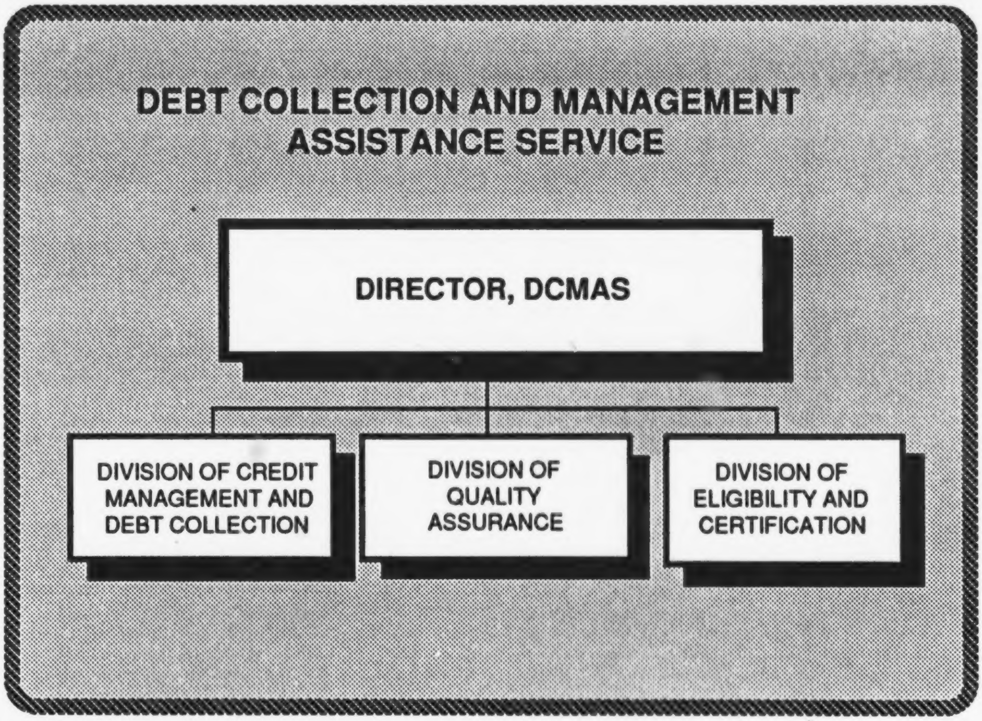
The immediate office of the Director of DCMAS is responsible for managing defaulted student loan accounts under the FISL, GSL, NDSL (recently renamed Perkins), and LEEP Programs. It directs all aspects of the management of outstanding facility loans to institutions of postsecondary education made under Title VII of the Higher Education Act of 1965 and Title IV of the Housing Act of 1950 as well as the management of property acquired through foreclosure. The immediate office's functions include designing, developing, and monitoring systems for quality control and policy compliance, and directing OPE-wide verification of program delivery procedures. In addition, this office develops corrective action proposals to reduce errors and initiates programs to improve the quality and productivity of control of OPE and Regional Office service delivery operations.

ADP Resource Management Staff

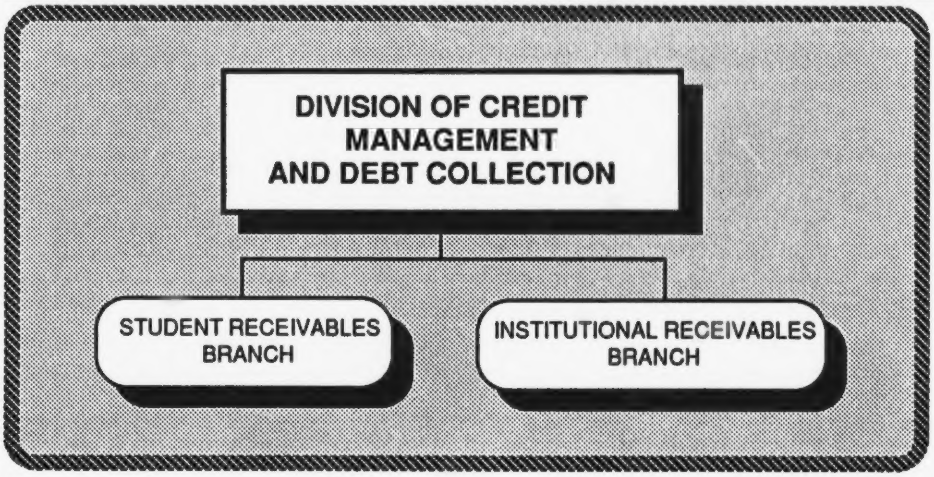
Within the immediate office is a director and a special assistant. Also within the immediate office is a staff, known as the ADP Resource Management Staff (RMS), which is responsible for long-term formulation and maintenance of a plan to use data processing resources for the OPE components and programs. With respect to the OPE components, ADPRMS is responsible for the planning for administrative data processing requirements. With respect to OPE programs, ADPRMS is responsible for planning the data processing resources required for each program and its end-users.

DCMAS Organization

The DCMAS central office has three divisions organized by function rather than by program. Shown below is a chart of the DCMAS organization down to the division level. Following that chart, the three divisions and their functions are described separately, and include the telephone numbers for the various parts of each division. The area code for each DCMAS central office number is 202.


DEBT COLLECTION AND MANAGEMENT ASSISTANCE SERVICE
DIRECTOR, DCMAS
DIVISION OF CREDIT MANAGEMENT AND DEBT COLLECTION
DIVISION OF QUALITY ASSURANCE
DIVISION OF ELIGIBILITY AND CERTIFICATION

DIVISION OF CREDIT MANAGEMENT AND DEBT COLLECTION: 732-4463


DIVISION OF CREDIT MANAGEMENT AND DEBT COLLECTION
STUDENT RECEIVABLES BRANCH
INSTITUTIONAL RECEIVABLES BRANCH

Division Responsibilities

The Division of Credit Management and Debt Collection (DCMDC) is responsible for collection of individual debts and institutional debts owed to OPE. The Division manages Headquarters collection activity and collection activity in the three regional offices that serve as the DCMAS collection offices.

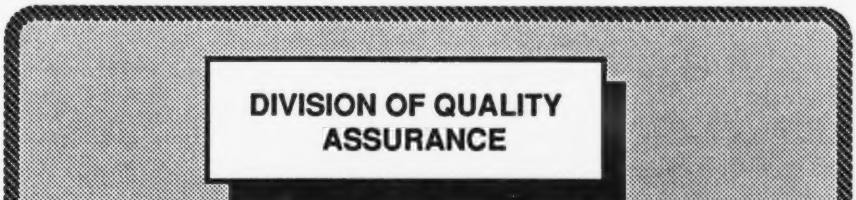
STUDENT RECEIVABLES BRANCH (732-4466)

The Student Receivables Branch is responsible for guiding the recovery or disposition of defaulted student loans under the Guaranteed Student Loan Program, the National Defense/Direct Student Loan Program (recently renamed the Perkins Loan Program), the Cuban Student Loan Program, and the Law Enforcement Education Program, as well as the collection of overpayments in the Pell Grant Program. The Branch coordinates collection policies and procedures for regional offices and collection contractors, and provides technical assistance on collections. Actual collection activity is performed in each of the collections regions (Regions IV, V, and IX) and by contracted collection agencies. The Branch also provides statistics, technical assistance, and training in debt collection to interested parties.

INSTITUTIONAL RECEIVABLES BRANCH (732-4480)

The Institutional Receivables Branch is responsible for the long-term management of, and the collection of payments on, construction loans to institutions of postsecondary education made under Title VII of the Higher Education Act of 1965, as amended, and under Title IV of the Housing Act of 1950, as amended. The functions of the Branch include all aspects of loan management, as well as management of property acquired through foreclosure.

DIVISION OF QUALITY ASSURANCE: 732-4420



Division Responsibilities

The Division of Quality Assurance determines the need for data and reports, and prepares reports for management and planning purposes. Also, it determines the impact and effectiveness of OPE programs by analyzing statistical trends, develops quality standards and measurements, maintains oversight in major OPE contracts to assure adherence to standards as well as proper and complete performance, and initiates special projects to improve program operations. It analyzes program characteristics and recommends appropriate changes in policies or operating procedures. In addition, the Division reviews the operations of the regional and central offices, and coordinates responses to GAO and OIG audits.

QUALITY CONTROL BRANCH (732-4422)

The Quality Control Branch is responsible for developing quality control information requirements and management information systems designed to track the performance and quality of program activities. It also prepares management reports identifying areas where performance and quality do not meet established standards. The Branch identifies possible corrective actions for management decision, and assesses the program and performance impact of corrective actions.

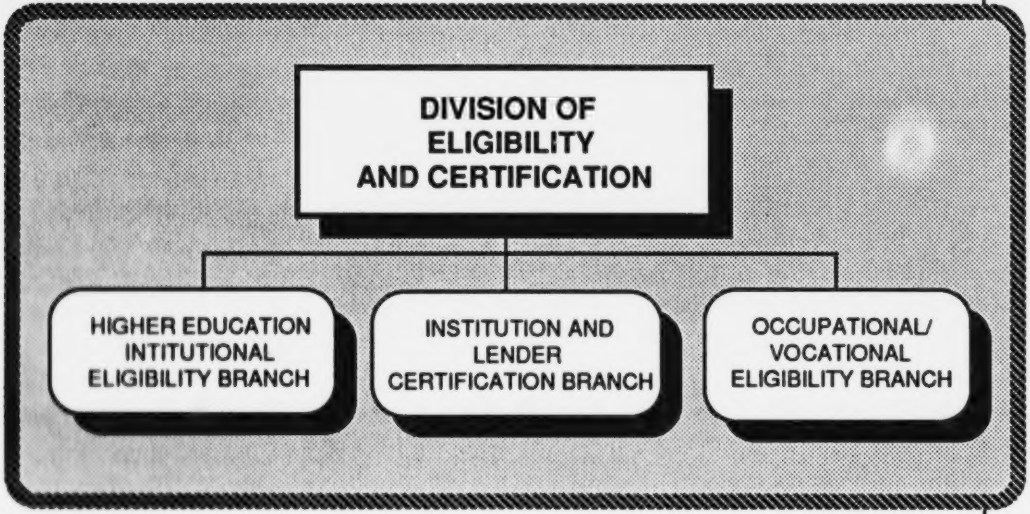
This branch provides in-depth review of operational procedures and statistical data to establish quality control standards designed to maintain acceptable quality at reasonable cost. Also it assists in implementing special projects to improve administrative efficiency and program integrity, as well as reviews specifications for contracted work and assesses the acceptability of work products from contractors to assure contractual compliance and the successful accomplishment of OPE objectives for high quality performance. Furthermore it coordinates responses to the recommendations of GAO and OIG programmatic and operational audits, and monitors implementation progress for periodic top-level management reports and the "Secretary's Annual Letter of Assurance."

STATISTICAL ANALYSIS BRANCH (732-4424)

The Statistical Analysis Branch is responsible for analyzing short-term and long-range program trends, identifying significant statistical variations in trends, and determining their impact on the quality and effectiveness of services provided by all OPE programs. Specifically, the Branch defines critical program data and information needed for analyzing program trends and provides statistical advice to support critical operational decisions regarding the use of sampling procedures and the selection of statistical techniques to measure quality. It also determines the need for special studies, surveys, and pilot tests. It conducts special in-depth surveys and studies, to assess program effectiveness, to determine the extent to which program objectives are being met, and to identify potential or existing problem areas.

The Branch defines statistical analysis procedures, sampling techniques, and research designs and methods for use in development testing, quality control surveys, management briefings, and policy studies. It determines the need for change in data collection and report specifications, and coordinates the development of plans for data acquisition from program bases and external organizations. It conducts comparative statistical analysis for establishing alternative levels of acceptable quality control standards, and assesses the potential effects of deviation from those standards.

DIVISION OF ELIGIBILITY AND CERTIFICATION: 732-4906


DIVISION OF ELIGIBILITY AND CERTIFICATION
HIGHER EDUCATION INTITUTIONAL ELIGIBILITY BRANCH
INSTITUTION AND LENDER CERTIFICATION BRANCH
OCCUPATIONAL/ VOCATIONAL ELIGIBILITY BRANCH

Division Responsibilities

The Division of Eligibility and Certification (DEC) is responsible for the administration of Federal laws and the development and implementation of regulations that govern institutional eligibility to participate in Federally funded programs and for determining whether an institution has the administrative and fiscal capability to participate in the Title IV programs authorized under the Higher Education Act of 1965, as amended.

OCCUPATIONAL/VOCATIONAL ELIGIBILITY BRANCH (732-4913)

The Occupational/Vocational Eligibility Branch (OVEB) is responsible for all eligibility-related actions for non-degree granting institutions. These actions include conducting eligibility determinations, administering and overseeing the 3 IC alternative to accreditation (see Chapter 2 for an explanation of the 3 IC alternative method of accreditation), and analyzing the Immigration and Naturalization Service's requests for advice on U.S. institutions for non-immigrant student attendance.

HIGHER EDUCATION INSTITUTIONAL ELIGIBILITY BRANCH (732-3465)

The Higher Educational Institutional Eligibility Branch (HEIEB) is responsible for all eligibility-related actions for degree granting institutions. In addition to those responsibilities identified for OVEB, HEIEB is also responsible for determining the eligibility of foreign schools to participate in the Guaranteed Student Loan (GSL) Program. Chapter 9 of this *Handbook* covers the GSL Program in detail.

INSTITUTION AND LENDER CERTIFICATION BRANCH (732-3236)

The Institution and Lender Certification Branch (ILCB) is responsible for determining the financial responsibility and the administrative capability of all postsecondary institutions that apply to participate in the Federal student assistance programs administered by the Department of Education. The ILCB is also responsible for disseminating the results of these determinations to the Division of Program Operations and Systems (DPOS).

Further Information on Eligibility and Certification Procedures

Eligibility and Certification application procedures are covered in Chapter 2 of this *Handbook*. If an institution believes it is eligible to apply for participation in any of the Department-administered Title IV student financial aid programs, that institution should follow the procedures discussed in the Institutional Eligibility and Certification section of Chapter 2. The appropriate addresses to which the various types of institutions should write are listed on the next page.

For nondegree-granting institutions—

Occupational/Vocational Eligibility Branch
Division of Eligibility and Certification
U.S. Department of Education
400 Maryland Avenue, S.W.
Room 3522, ROB#3
Washington, D.C. 20202

For degree-granting institutions—

Higher Education Institutional Eligibility Branch
Division of Eligibility and Certification
U.S. Department of Education
400 Maryland Avenue
Room 3522, ROB#3
Washington, D.C. 20202

Institutions who are interested in applying for certification should follow the procedures as they are outlined in Chapter Two of this *Handbook*. Further information and the appropriate forms are available from the address listed below:

Institution and Lender Certification Branch
Division of Eligibility and Certification
U.S. Department of Education
400 Maryland Avenue
Room 3923, ROB#3
Washington, D.C. 20202

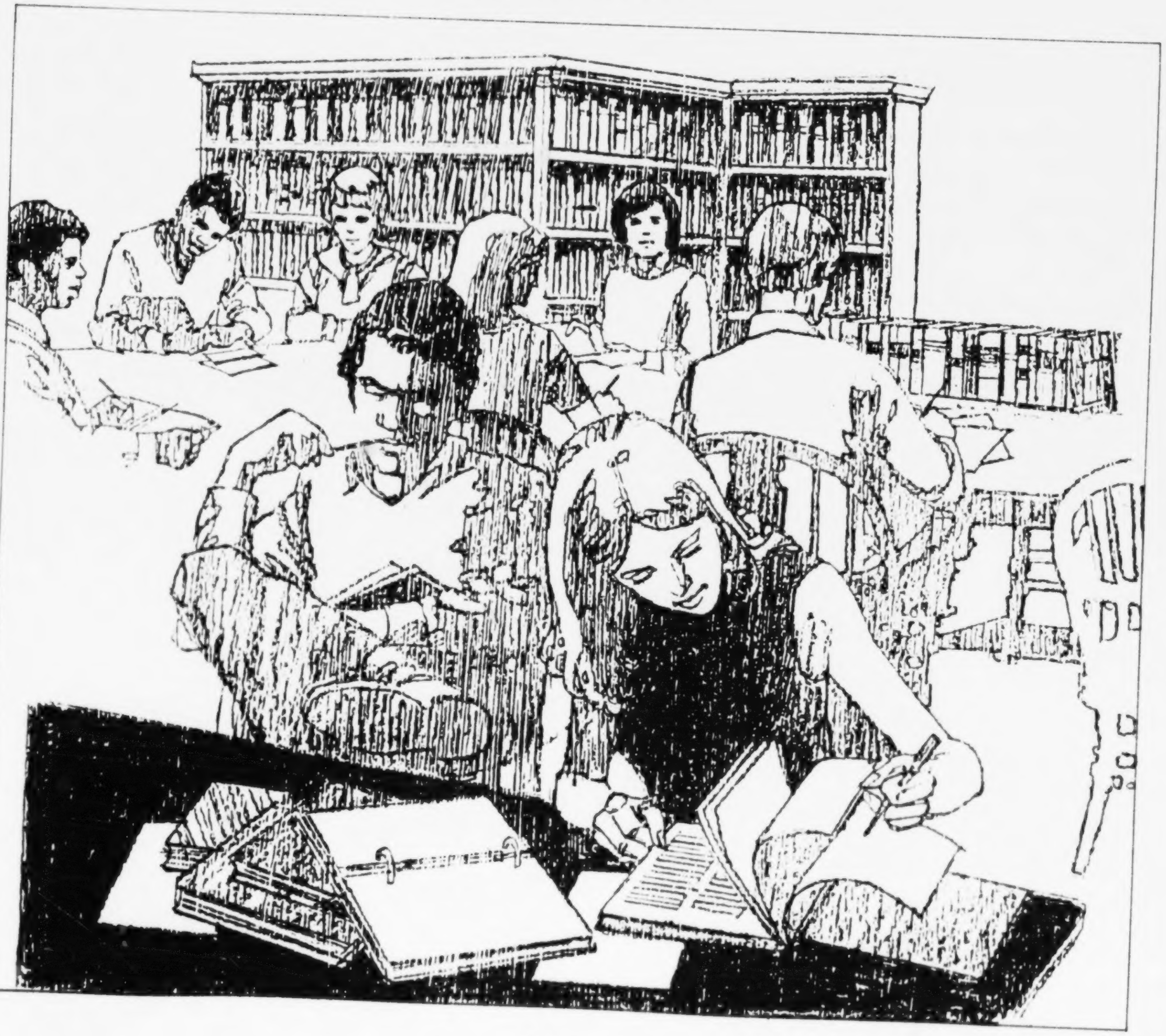
United States
Department of
Education

Office of
Student Financial
Assistance

1988-89

The Federal Student Financial Aid Handbook

Chapter Two
General Program Requirements



Prepared by:

Development Section
Division of Training and Dissemination
Office of Student Financial Assistance
U.S. Department of Education
400 Maryland Avenue, S.W.
ROB-3 Room 4051
Washington, D.C. 20202

Discrimination Prohibited

No person in the United States shall, on grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance, or be so treated on the basis of sex under most education programs or activities receiving Federal assistance.

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INTRODUCTION

This chapter will discuss those requirements and procedures which generally apply to all of the programs administered by the Office of Student Financial Assistance. For instance, most of the requirements for ***student eligibility*** are shared by all the programs: a student must be a citizen or an eligible non-citizen, must be registered with the Selective Service, may not be in default or owe an overpayment on an OSFA grant or loan, etc. We have noted those places where some OSFA programs have additional requirements, such as half-time enrollment or undergraduate status.

Institutional eligibility and the administrative and fiscal requirements for participation in the OSFA programs are also discussed in this chapter, because they are generally the same for all institutions, regardless of which specific programs the school administers.

And finally, this chapter covers ***financial aid procedures*** that involve all the OSFA programs, such as the financial aid transcript and the refund and repayment formulas.

THE OSFA PROGRAMS

We will use this term to describe the student financial aid programs administered by the Office of Student Financial Assistance (within the U.S. Department of Education).

GRANT PROGRAMS

- Pell Grants
- Supplemental Educational Opportunity Grants
- State Student Incentive Grants

LOAN PROGRAMS

- Perkins Loans
- Guaranteed Student Loans
- Supplemental Loans For Students
- PLUS Loans
- Income Contingent Loans

WORK-STUDY

- College Work-Study Program

These programs are also known as Title IV programs, because they are authorized by Title IV of the Higher Education Act. The Office of Student Financial Assistance also administers two other Title IV programs (the Loan Consolidation Program and Byrd Scholarship Program) and a Title V program (the Douglas Teacher Scholarship Program) but most of the requirements described in this chapter do not apply to these programs. (See Chapter Three for a discussion of the Byrd and Douglas programs.)

RECENT CHANGES TO THE GENERAL PROVISIONS

Most of the information in this chapter is based on the General Provisions regulations (34 CFR 668) for the OSFA programs, with references to requirements that differ between the individual program regulations.

There have been a number of statutory and regulatory changes over the past year and a half that have affected the General Provisions. An overview of these changes is given below, and each change is highlighted in the margin notes, as shown below.

The **Consolidated Omnibus Budget Reconciliation Act of 1985** changed the student eligibility criteria for OSFA programs concerning default and overpayment status. Before this amendment, a student was only considered ineligible for OSFA aid if the student was in default or owed a repayment on an OSFA grant or loan for attendance at *that* school. Now the law states that a student is ineligible for OSFA aid if the student is in default or owes a repayment on an OSFA grant or loan received at *any* school.

✓ COBRA

The reauthorization process resulted in the passage of the **Higher Education Amendments of 1986**, which made many important changes to the OSFA programs. New definitions of satisfactory progress, ability to benefit, and independent student were added to the law. Several items were added to the Program Participation Agreement between eligible institutions and the Department.

✓ HEA 86

Several of these definitions and requirements were modified by the **Higher Education Technical Amendments Act of 1987**. In addition, the **Department of Defense Authorization Act** (P.L. 99-661, November 14, 1986) and the **Immigration Reform and Control Act of 1986** include provisions that affect the Selective Service registration requirement and eligible non-citizen status. These modifications will be discussed under the relevant topics in this chapter.

In addition to the changes in the law, the General Provisions regulations have been revised and republished as a part of the de-regulation initiative. Subparts A and Subparts D, F, and G were published in the Federal Register on November 19 and December 1, 1986, respectively. Further changes were made to Subparts A, B, C, and G of the regulation, as published on December 1, 1987. Changes have also been made in these regulations to incorporate new statutory requirements. We have noted, wherever relevant, changes that have come about as a result of the de-regulation package.

✓ 87 GP REG

RECENT REGULATORY HISTORY OF THE GENERAL PROVISIONS

June 28, 1985	Subpart C republished (Selective Service registration status and educational purpose)
March 14, 1986	New Subpart E added (Verification)
August 15, 1986	Amendments to Subpart E (Verification)
November 19, 1986	Subpart A (General) republished
November 28, 1986	Amendments to Subpart C (minor changes based on elimination of the Alternate Disbursement System)
December 1, 1986	Subparts D, F, and G republished (D: Student Consumer Information, F: Misrepresentation, G : Fine, Limitation Suspension, and Termination Proceedings)
December 1, 1986	New Subpart E (Quality Control Pilot) added
August 12, 1987	New Subpart H added (Appeal Procedures for Audit Determinations and Program Review Determinations.
October 23, 1987	Amendment to Subpart E (Quality Control Pilot)
December 1, 1987	Subpart B republished (Standards for Participation) Amendments to Subparts A, C, and G
December 7, 1987	Amendments to Subpart H (Appeal Procedures ...)

As noted above, a new Subpart E was added to the General Provisions on March 14, 1986, and was modified on August 15, 1986, encompassing the integrated verification requirements for OSFA programs. While verification is now a part of the General Provisions, it is not discussed in this chapter, but in a separate OSFA publication, ***The 1988-89 Verification Guide***.

✓ '88 Eligibility Reg (CFR 600)

Several requirements that used to be in the General Provisions have been made a part of the Institutional Eligibility regulations (CFR Part 600) that were published on April 5, 1988. We have noted the significant changes made by the Institutional Eligibility regulations in the margin notes.

NEED ANALYSIS AND PROCESSING SYSTEM CHANGES

The Higher Education Amendments of 1986 made many significant changes to need analysis for the OSFA programs, which in turn have caused many changes to the Federal processing system. We have added two new sections that discuss these changes.

Section Two, "Overview of Financial Need," reviews the basic principles of figuring the cost of attendance, the expected financial contribution, and financial need. In addition, this section discusses the new definition of independent student, the new Congressional Methodology, and compares the changes to the cost of attendance for the Pell Grant Program and the other OSFA programs.

Section Three, "Using the Federal Processing System," discusses recent changes to the processing environment, and explains how a financial aid administrator uses the student's Correction Application or Student Aid Report to make changes to the student's data (such as overriding the student's dependency status, or adjusting the Student Aid Index).

SECTION ONE: STUDENT ELIGIBILITY

This section discusses the criteria for student eligibility that are common to most of the OSFA programs. While there may be variations from program to program, the basic requirements, such as citizenship and satisfactory progress, are the same whether the student is applying for a grant, a loan, or work-study.

In many cases, a student eligibility requirement is linked to an institutional requirement. For instance, a student must be making satisfactory progress to receive aid, but a school must have a satisfactory progress policy to be able to monitor this requirement. Many of these institutional requirements are discussed in later sections of this chapter.

CITIZENSHIP

In order to receive OSFA aid, a student must be in one of the following categories relating to citizenship:

1. ***A U.S. citizen or national.*** The term "national" includes not only all U.S. citizens, but also citizens of American Samoa or Swain's Island.

2. ***A permanent resident of the U.S.*** A permanent resident of the U.S. must provide documentation from the Immigration and Naturalization Service (INS).

3. ***Certain residents of the Pacific Islands.*** In some cases, residents of Palau, the Marshall Islands and the Federated States of Micronesia (former Trust Territories) will continue to be eligible for aid from the OSFA programs. See Appendix A for further information.

4. ***Other eligible non-citizens.*** An individual who can provide documentation from the INS that he or she is in the U.S. for other than a temporary purpose with the intention of becoming a citizen or permanent resident. Includes refugees, persons granted asylum, Cuban-Haitian Entrants, temporary residents under the recent Immigration Reform and Control Act of 1986, and others. See Appendix A for further information.

Foreign schools

All U.S. citizens and eligible non-citizens may receive aid at eligible schools in the United States under the OSFA programs. However, only U.S. citizens and non-citizen nationals are eligible for GSL or SLS loans at the eligible foreign schools that participate in those programs (the first category, above).* For a detailed discussion of the different categories of eligible non-citizens and INS documentation, see Appendix A at the end of this chapter.

ENROLLMENT AS A REGULAR STUDENT IN AN ELIGIBLE PROGRAM

HEA 86

It has long been a requirement that a student applying for Pell Grant or campus-based aid must be enrolled as a regular student in an eligible program to receive a Pell Grant or campus-based aid. The Higher Education Amendments of 1986 extended the regular student and eligible program requirements to cover students in the SSIG or GSL/SLS/PLUS programs.

Regular student - A regular student is a person who enrolls in an eligible program for the purpose of obtaining a degree or certificate offered by the institution.

HETA

GSL exception: preparatory programs

Note that the Technical Amendments make an exception: students who are not enrolled in an eligible program are eligible for GSL/SLS/PLUS for one year if they are taking courses that are necessary for the student to enroll in an eligible program. These courses must be part of an eligible program, although the student does not have to be enrolled in that program. For instance, a student who has already received a B.S. degree might need an additional 12 hours of specialized undergraduate biology and chemistry coursework to enroll in a graduate program. If a student is enrolled at least half-time in these prerequisite courses, and the courses are part of an eligible program, the student is eligible for loans for one calendar year (12 months) beginning on the first day of the loan period for which the student is enrolled.

---

* Parents who want to take out a PLUS loan for a dependent undergraduate student to attend an eligible foreign school must meet the general requirements for a citizen or eligible non-citizen, categories 1-4. But the student attending the foreign school must be a citizen or non-citizen national.

Based on institutional definitions

The regulatory definition of an eligible program is based on requirements found in the definitions for an eligible institution (as discussed in Section Four). There is an important distinction between the definition of an eligible program and the definition of an eligible institution: some programs at the school may not meet the requirements for an eligible program, although the school as a whole meets the definition of an eligible institution and participates in the OSFA programs. Only students who are enrolled in *eligible programs* at the eligible institution can receive aid from the OSFA programs.*

Aspects of an eligible program

There are three aspects to the definition of an eligible program: its *admissions standards*, the *length of the program*, and the *educational credentials* it awards. We will discuss the admissions standards and ability to benefit first, because the requirements are virtually identical for all types of eligible institutions.

Admissions standards

Generally, to be eligible under the OSFA programs, the educational program may only admit (as regular students) students who are academically qualified for study at the postsecondary level. Students who have a high school diploma or its recognized equivalent are always considered qualified for purposes of the OSFA programs (although the school may have stricter admissions standards of its own). A regular student who does not have a diploma or equivalent may only be admitted if he or she has the ability to benefit from the training offered by the postsecondary program, and is beyond the age of compulsory school attendance in the State where the program is being given.**.

Recognized Equivalent of a High School Diploma - Either a General Education Development (GED) Certificate, or a State certificate received after a student has passed a State-authorized examination that the State recognizes as the equivalent of a high school diploma.

Ability to benefit as a program requirement

We will be discussing how "ability to benefit," as it is known, affects a student's eligibility in the next subsection. However, the ability to benefit affects not only the eligibility of individual students, but the eligibility of the entire program. The school must document that a student admitted under this criteria does in fact have the ability to benefit from the program. If a school admits students who do not have a high school diploma or recognized equivalent, and who have not demonstrated ability to benefit (or who are below the age of compulsory school attendance), the program's eligibility will be jeopardized. If the program is ineligible, then all of the students in the program are ineligible, and any OSFA funds awarded in that program would have to be repaid. The school must document the ability to benefit of *each* student that it admits under this criteria (whether or not the student receives OSFA funds), and retain the documentation for at least five years.

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* Except for one year of GSL/SLS/PLUS for pre-requisite courses, as noted previously.

** *GSL/SLS/PLUS Exceptions.* 1) A student at a vocational school is not required to be beyond the age of compulsory school attendance. The student must have the ability to benefit from the training, and must have completed or left elementary or secondary school. 2) A student at an institution of higher education that only participates in the GSL/SLS/PLUS programs must be beyond the age of compulsory school attendance, but does not have to demonstrate ability to benefit

School may meet more than one definition

The minimum program length and the required educational credentials are different depending on the institutional definition that is used. The chart on the next page shows the requirements for an eligible program, based on the definitions for an eligible institution. However, note that the definitions are not mutually exclusive. A school may meet more than one of the definitions. In particular, most public or private non-profit institutions of higher education also meet the definition of a vocational school or a postsecondary vocational institution, and most proprietary institutions also meet the definition of a vocational school. If you are not sure which definitions apply to your school, refer to the definitions for an eligible institution given in Section Four.

Program length and educational credentials

At most schools, an eligible program must be at least a 6-month training program (600 clock hours, 16 semester or trimester hours, or 24 quarter hours). However, for the GSL/SLS/PLUS programs only, vocational schools have a minimum program length of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. The eligible program must lead to a certificate, degree, or other recognized educational credential, or be a two-year program that is acceptable for full credit towards a bachelor's degree.*

Individual program requirements

Several OSFA programs have additional eligibility requirements. Only *undergraduate educational programs* are eligible under the Pell Grant, ICL, and SEOG programs. To participate in the Pell Grant Program, a *correspondence study program* must meet the general requirements for an eligible program, and be designed to require at least 12 hours of preparation per week.

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* The minimum program length may be different for schools that have been in existence for less than two years, or schools that are eligible based on pre-accreditation or the transfer-of-credit alternative to accreditation (see Section 2, "Institutional Eligibility and Certification," for a discussion of these terms).

DIFFERENCES IN ELIGIBLE PROGRAM DEFINITIONS (BY SCHOOL TYPE)

VOCATIONAL SCHOOL

☐ *Is a program of postsecondary or technical education that leads to a certificate, degree, or other recognized educational credential and is designed to provide occupational skills to prepare students for useful employment in recognized occupations.*

☐ *The program must be at least 300 clock hours, 8 semester/trimester hours, 12 quarter hours in length.*
A correspondence program must be at least six months in length, requiring an average of at least 12 hours of preparation a week over each 12-week period.

☐ *A flight school program must maintain current valid certification by the Federal Aviation Administration.*

INSTITUTION OF HIGHER EDUCATION

☐ *Leads to an associate, bachelor's, graduate, or professional degree.*

or *Is at least a two year program that is acceptable for full credit towards a bachelor's degree.*

or *Is at least a one-year training program that leads to a certificate, degree, or other recognized educational credential and prepares a student for gainful employment in a recognized occupation.*

PROPRIETARY INSTITUTION OF HIGHER EDUCATION

POSTSECONDARY VOCATIONAL INSTITUTION

☐ *Is at least a six-month training program that leads to a degree, certificate, or other recognized educational credential and prepares a student for gainful employment in a recognized occupation.*

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ESL programs

A program of study in *English as a Second Language* is eligible for Pell Grant assistance if it meets the general requirements for an eligible program and only admits students who need instruction in English to be able to use the knowledge, training or skills they already have. The school must document for each student that it admits to the ESL program that the program is necessary for the student to be able to use existing knowledge, training, or skills. Note that an ESL program is only an eligible program for Pell Grant purposes.

Flight school

Under the GSL/SLS/PLUS programs, a *flight school program* must maintain current valid certification by the Federal Aviation Administration to be eligible.

ACADEMIC QUALIFICATIONS: ABILITY TO BENEFIT, REMEDIAL COURSEWORK, STUDY AT POSTSECONDARY LEVEL

To receive aid from the OSFA programs, a student must be academically qualified for study at the postsecondary level. A student with a high school diploma or its recognized equivalent is always considered to be academically qualified for OSFA purposes. (By "recognized equivalent" we mean a General Education Development Certificate (GED) or a State certificate received after a student has passed a State-authorized examination that the State recognizes as the equivalent of a high school diploma.) If a student does not have a high school diploma or equivalent, he or she must have the ability to benefit from the course of study.*

Remedial coursework

Before discussing how a school determines that a student has ability to benefit, we should mention several related academic issues. The first issue is remedial coursework that prepares a student for study at the postsecondary level. The regulations recognize that a limited amount of remedial coursework may be considered a part of the student's postsecondary program, even though the remedial coursework is not at the postsecondary level. However, a student generally may not be paid for remedial work by itself. The student must be enrolled in an eligible program at the school, and the remedial coursework must be necessary for the student to pursue the eligible postsecondary program.* If a student's acceptance into the eligible program is conditional on the completion of the remedial work, the student is not enrolled in an eligible program, and cannot be paid for the remedial coursework.

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* *GSL/SLS/PLUS Exception.* A student at an institution of higher education that only participates in the GSL/SLS/PLUS programs must be beyond the age of compulsory school attendance, but does not have to demonstrate ability to benefit.

Including non-credit coursework for OSFA payments

Schools often give no academic credit (or only reduced credit) for remedial coursework. To be able to include non-credit remedial hours in the student's enrollment status for financial aid payments, the school must find how many hours of study the course requires (both classroom and homework hours), and compare those hours with the hours required for non-remedial courses in a similar subject. The school should use the same number of credit or clock hours for the remedial course as for a non-remedial course that requires a comparable number of classroom and homework hours. The hours assigned to a non-credit remedial course are added to the hours of regular coursework to find the student's enrollment status for purposes of the OSFA programs. This affects whether the student is paid as a full-time, 3/4-time, or 1/2-time student in the Pell Grant Program, and whether the student is considered to be enrolled at least 1/2-time for other programs. In addition, the tuition paid for non-credit remedial hours may be included in the cost of attendance for the campus-based, GSL, SLS, and PLUS programs.

High school coursework excluded

Non-credit remedial hours cannot be included in the enrollment status or cost of attendance if the course is a part of a program that leads to a high school diploma or its recognized equivalent, even if the course is required for completion of the postsecondary program. In addition, a non-credit remedial course cannot be included if the educational level of the course would not, after one year's time, adequately prepare the student for postsecondary study.

1-year limit on non-credit coursework

There is a limit on the amount of non-credit or reduced-credit coursework that can be included in a student's enrollment status or cost of attendance. The school may not take into account more than one academic year's worth of non-credit remedial coursework (the equivalent of 30 semester hours, 45 quarter hours, or 900 clock hours) for any individual student. However, courses in English as a Second Language do not count against the limit.

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* *Exception.* As noted earlier, in some cases a student may receive GSL/SLS/PLUS for prerequisite coursework without being enrolled in an eligible program — this coursework may be remedial in nature. Also note that the student may receive a Pell Grant for an ESL program, if the ESL program enables the student to use existing knowledge, training, or skills — in this case the ESL program is not considered to be remedial in nature.

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Student may not be enrolled in elementary/ secondary school

A second issue is the treatment of students who are enrolled in a postsecondary program while still in high school, especially when the credits earned in the postsecondary program can be used for credit towards a high school diploma. The Technical Amendments of 1987 added a provision that a student may not receive OSFA funds if the student is enrolled in an elementary or secondary school program at the same time as the postsecondary program. Note that a student attending classes leading to a GED is not considered to be enrolled in a secondary school.

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Ability to benefit criteria

The concept of ability to benefit has long been a statutory criteria for institutional and program eligibility. The Higher Education Amendments of 1986 added a specific definition of "ability to benefit," which also applies to student eligibility. A student who is admitted on the basis of ability to benefit must fulfill one of the following conditions to continue as an eligible student:

1. *Pass an admissions test that measures the student's aptitude to successfully complete the program.*

   The school must administer a nationally recognized, standardized, or industry-developed test, subject to criteria developed by the school's nationally recognized accrediting agency or association.* (If the student fails the test, the student must complete step #2 to qualify for aid.)

2. *Enroll in and successfully complete a remedial or developmental program (not to exceed one academic year) that is prescribed by the school.*

   The school requires the student to enroll in a remedial or developmental program if the student is admitted on the basis of counseling given to the student before admission to the school, or because the student failed the admissions test. Note that the student would have to be enrolled in an eligible program at the school to receive OSFA funds for the remedial work (the remedial program by itself is not an eligible program).** Unlike other remedial coursework, this remedial work has to constitute a structured program. If the student does not successfully complete the program, he or she will no longer be eligible for OSFA funds.

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* For this purpose, "accrediting agency" includes the recognized State agency that approved the school, if the school is a public postsecondary vocational insitution. (See statutory alternatives to accreditation in Section Four.)

** *Exception.* As noted earlier, in some cases a student may receive GSL/SLS/PLUS for prerequisite coursework without being enrolled in an eligible program — this coursework may be remedial in nature.

3. *Receive a GED prior to the student's certification or graduation from the course of study, or by the end of the first year of the course of study, whichever is earlier.*

   The student is eligible for aid from the OSFA programs during this period, but the aid may not be used to pay for remedial coursework leading to the GED. The school must document whether the student receives the GED. If the student does not earn the GED by the end of the first year (or completion) of the course of study, the student may no longer receive OSFA funds.

Remedial coursework taken at second school

Note that the remedial program in #2 does not have to be offered at the same school — the student could be directed to enroll in a remedial program at another school. To be able to pay the student OSFA funds for the remedial program, the two schools would have to have a written agreement specifying that the student is enrolled in an eligible program and that the remedial coursework is a necessary part of the student's program at the first school.* (See Section Eight of this chapter.)

ENROLLMENT STATUS

The Pell Grant program requires a student to be enrolled at least half-time to receive aid. For the campus-based programs, the school may fund students who are attending less than half-time. (The Higher Education Amendments of 1986 require schools to make campus-based funds reasonably available to part-time students if the school's allocation was directly or indirectly based on the needs of part-time students.)

Half-time for Pell Grant and campus-based programs

The chart on the next page shows the minimum standards given in the Pell Grant and campus-based regulations for half-time enrollment. (A school may set a higher standard for half-time enrollment if it wishes.) The Pell Grant regulations also set minimum standards for 3/4-time and full-time enrollment, because the Pell Grant calculations are based on the student's enrollment status (for term, credit hour students only). See Section Two of Chapter Four for more information on enrollment status and Pell Grant calculations.

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* *Exception.* As noted earlier, in some cases a student may receive GSL/SLS/PLUS for prerequisite coursework without being enrolled in an eligible program — this coursework may be remedial in nature.

If the student's program is based on --	The minimum hours for half-time status are --
Semesters Trimesters Quarters	6 Semester hours or 6 Quarter hours per term
Clock hours	12 Clock hours per week
Credit hours without terms	12 Semester hours or 18 Quarter hours per academic year

Half-time for GSL/SLS/ PLUS

The GSL/SLS/PLUS programs require a student to be enrolled at least half-time to receive aid. A half-time student must be taking at least one-half the workload of a full-time student, as defined by the school. The school determines if a student is taking a full-time academic workload based on standards applicable to all students in that student's program.* The student's full-time workload may include any combination of courses, work, research or special studies, whether credit or non-credit.

Note that the full-time workload is important for deferment purposes. A student who has previous GSL/SLS/PLUS loans that have entered repayment can only qualify for the in-school deferment if he or she is enrolled full-time.

SATISFACTORY PROGRESS

The regulations for satisfactory progress were initially published in October of 1983, and have recently been republished (December 1, 1987) with only minor changes. The regulations require schools to develop and apply a consistent standard of academic progress, and note the basic elements of a policy that measures satisfactory progress. A school must have a satisfactory progress policy to carry out the statutory requirement that a student must be making satisfactory progress to be eligible for aid under the OSFA programs.

The school's satisfactory progress policy for students receiving aid under the OSFA programs must be at least as strict as the policy used for students who do not receive OSFA aid. The policy must be applied consistently to all students within identifiable categories of students (such as full-time or part-time, graduate or undergraduate, etc.). And the policy must conform to the standards of the school's accrediting agency if the school is accredited by a nationally recognized accrediting agency that has established satisfactory progress standards.

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* A student at a vocational school is full-time if he or she is taking at least 24 clock hours per week, or 12 semester or quarter hours, or its equivalent. A correspondence student is considered a half-time student.

Consistency

The school's academic progress policy must include a qualitative measure of the student's progress, such as a grade point average. But a grade point average alone is not a sufficient measure of progress. For instance, a student might enroll for 12 credits a semester, but withdraw from 2 classes before failing. The student might have an "A" average in the two remaining classes, but still not be making satisfactory progress in the program. To accurately measure the student's progress in the program, the satisfactory progress policy must have a *quantitative* measure of progress, as well as a qualitative measure.

Qualitative and quantitative progress

To quantify academic progress, a school must set a maximum time-frame in which a student is expected to finish the program. As an example, a school might set a maximum time-frame of five academic years for a student to complete a four-year program. To ensure that a student is making quantitative progress throughout the course of study, the school must assess the student's quantitative progress at least once an academic year. (The regulations use the term "increments" to describe the measurement of progress at different stages of the student's academic program.) This incremental assessment of progress compares the number of hours the student attempted to the number of hours the student successfully completed, to see if the student is progressing at a rate that will allow him or her to finish the program within the maximum time-frame.

Maximum time-frames and increments

EXAMPLE

The preamble to the final regulation (October 6, 1983) gave an example of a maximum time-frame that a school might set: 5 academic years of work attempted, for a student enrolled in a program that requires 4 academic years of work for graduation.

To express this example in terms of credit hours, imagine that two students, George and Jane, are enrolled in a 4-year microbiology program that requires 120 semester credits for graduation. Under the school's policy, the maximum time-frame for completing the program is 5 academic years, which equates to 150 credit hours attempted. Both students enroll in 5 classes each semester (15 credits). After one year, George has earned 27 credits and Jane has earned 30 credits. After two years, George has earned 45 credits and Jane has earned 51 credits. Are George and Jane making satisfactory progress in the course of study?

SOLUTION

Because the school has set a maximum time-frame of 5 years (150 semester hours) to complete a 4-year (120 semester hours) program, a student must successfully complete 80% of the work attempted to be making satisfactory progress.

Both George and Jane attempted 30 credit hours in the first year.

80% X 30 credit hours = 24 credit hours

Because both students successfully completed at least 24 credit hours in that year, they both were making satisfactory progress entering their second year of study.

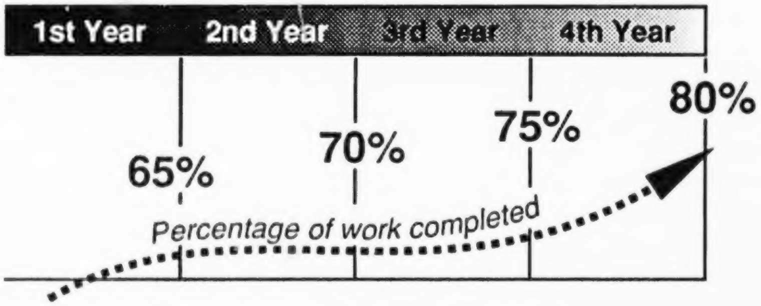
After two years of study, both students had attempted 60 credit hours, and had to have earned 48 credit hours to be making satisfactory progress. Therefore, Jane was making satisfactory progress at the end of the second year (with 51 credit hours), but George was not making satisfactory progress (only 45 credit hours earned).

Part-time and summer students

In the preceding example the school has established a minimum percentage (80%) of hours the student must complete each academic year. Adjustments would have to be made if either student was attending for fewer hours. For instance, if George had enrolled in half as many classes, he would only have attempted 30 credit hours after two years, and would only have been expected to complete 24 credit hours at that time. The school's policy should also specify how hours taken in summer school will affect the quantitative measure of progress.

Graduated standard

The original satisfactory progress regulations have been revised to permit schools to use a *graduated* completion standard, instead of the same completion percentage for each year. For instance, a school might use a more lenient completion standard in the student's first academic year, but gradually increase the completion standard during the course of study to ensure that the student will complete the program requirements within the maximum time-frame.



Standard must be cumulative

Two other points need to be made regarding the quantitative standard: the standard must be cumulative and it must include any periods of enrollment in which the student did not receive aid from the OSFA programs. The quantitative standard is an academic measure of a student's progress towards completion of the program, and must take into account the student's academic performance throughout the course of study, regardless of whether the student received aid.

Time-frames at clock hour schools

Because students are only paid for "hours earned" in clock hour programs, the concept of "hours attempted" is not used as a measure of satisfactory progress. Instead, the maximum time-frame for a clock hour program should be based on calendar time (in weeks or months). For instance, if a school offers a 900 clock hour program that normally takes 8 months to complete, it could set a maximum time-frame of 10 months for completion of the program. Thus, a student would have to complete the first 450 hours of the program within five months to be making satisfactory progress.

Additional elements

The regulations further state that a satisfactory progress policy should explain how withdrawals, incomplete courses, repeated courses, and non-credit remedial coursework affect the student's progress, and should include procedures for appealing a decision and reinstatement of aid. The preamble to the regulations also mentions that a school may decide that a student who does not meet the school's qualitative or quantitative standard is nonetheless making satisfactory progress during a probationary period, or because of mitigating circumstances.

Keep in mind that these regulations only list the elements necessary to measure satisfactory progress, such as a GPA, a maximum time-frame, and increments. The actual standard is up to the school, and the school may include additional elements in its standards. A detailed description of the elements contained in the satisfactory progress regulations, with examples, was published as an appendix to Chapter Two of the 1983-84 *Federal Student Financial Aid Handbook.*

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C average or equivalent

A more specific measure of satisfactory progress was added to the statute during reauthorization, for students who first received OSFA program funds during the 1987-88 award year or later. The Higher Education Amendments of 1986 require a school to check the academic progress of a student at the end of each academic year (as defined by the school). At the end of the second academic year, the student must have either a C average or its equivalent, or have academic standing consistent with the requirements for graduation from the program. A school's satisfactory progress policy should define the "equivalent of a C average" if the school does not use letter grades, and "academic standing consistent with graduation requirements."

The preamble to the December 1, 1987 regulations gives a helpful example. A student has a 1.75 grade point average (using a scale of 0.0 - 4.0) at the end of two academic years in a four-year degree program. The school requires a 2.0 average *for graduation*, but it uses a graduated standard of progress (as discussed earlier), which requires a 1.75 average after two academic years. Therefore, the student does have academic standing consistent with the school's graduation requirements, even though the student does not have a cumulative C average.

Waivers for special circumstances

If a student does not have a C average or equivalent, or the required academic standing at the end of the second academic year, he or she may not receive further aid from the OSFA programs, unless the school uses its discretion to waive the satisfactory progress requirement. The statute gives specific examples of cases where the school might choose to waive the satisfactory progress requirement for a student, such as an injury to the student, an illness of the student, or the death of a relative of the student. In addition, the school may choose to waive the satisfactory progress requirement for any case in which a student has experienced undue hardship as a result of special circumstances.

Reinstatement

The statute also provides for the reinstatement of aid under the OSFA programs, for students who do not meet the statutory requirements for satisfactory progress at the end of their second academic year, but who achieve academic standing consistent with graduation requirements later in the course of study. A student may be paid for the grading period in which he or she regains satisfactory academic standing, but not for those periods when the student was not making progress.

Please note that this new statutory requirement supplements but does not supercede the existing regulations. Thus, a student could meet the statutory requirement of a C average for Federal student aid and still be ineligible because he or she was not making satisfactory progress as defined by the school's policy.

STUDENT CERTIFICATIONS AND STATEMENTS

To receive aid from the OSFA programs, a student must sign a Statement of Educational Purpose, a Certification Statement on Refund and Default, and, in many cases, a Statement of Registration Status. These statements are printed on the back of Part 1 of the SAR, for the school's convenience, along with the Statement of Updated Information.

In the Statement of Educational Purpose, the student certifies that he or she will use any OSFA funds received only for educational expenses. In the case of the GSL, SLS, and PLUS programs, the Statement must be filed with the lender. For this reason, the Statement of Educational Purpose is included on the loan application that the student fills out. For the Pell Grant and campus-based programs, the Statement must be filed with the school that the student is attending.

STATEMENT OF EDUCATIONAL PURPOSE/
CERTIFICATION STATEMENT ON REFUNDS AND DEFAULTS

I certify that I do not owe a refund on any grant, am not in default on any loan, and have not borrowed in excess of the loan limits, under the Title IV programs, at any institution. I will use all Title IV money received only for expenses related to my study at:

____
(Name of Institution)

The Statement of Educational Purpose is combined with the Certification on Refund and Default, which states that the student is not in default and does not owe a repayment on any OSFA loan or grant. A student in default or repayment status is generally not eligible for OSFA funds (see the discussion in the next subsection for exceptions).

The Statement of Registration Status is always filed with the school. To complete the statement, a student must not only sign the statement, but also check the appropriate boxes, indicating either that the student has registered or the reason why the student is not required to register. As a matter of administrative convenience, a school may require all of its students to fill out a statement of registration compliance. Or the school may choose to waive the signature requirement if it knows that a student is not required to register with the Selective Service. The most common cases in which a school would make this waiver are for a male student who is out of the age range (18-26) for registration, or for a female student. A school may also waive signature of the registration statement if it already has a valid Statement of Registration Status on file for the student. However, the school must be careful to obtain a new Statement when the student's status changes. For instance, a first-year student might not be required to register because he was 17, but would be required to register a year later.

STATEMENT OF REGISTRATION STATUS

_____ I certify that I am registered with Selective Service.
_____ I certify that I am not required to be registered with Selective Service, because:
    _____ I am female
    _____ I am in the armed services on active duty (Note: Does not apply to members of the Reserves and the National Guard who are not on active duty)
    _____ I have not reached my 18th birthday
    _____ I was born before 1960
    _____ I am a citizen of the Federated States of Micronesia, the Marshall Islands, or a permanent resident of the Trust Territory of the Pacific Islands (Palau)

STATEMENT OF UPDATED INFORMATION

I certify that, as of the date I sign this statement, items 1 through 12, and either 27 and 28 (for independent students) or 69 and 70 (for dependent students) reflect any changes that have occurred since I applied other than any changes caused by a change in marital status.

The Statement of Updated Information is the student's confirmation that the information in three key items has not changed since the time the student first filled out the application.

Students are required to update for any changes in their dependency status (Section A), household size (Item 27 or 69), or number in postsecondary education (Item 28 or 70), unless those changes were the result of a change in marital status.

These statements appear on the back of Part 1 of the Student Aid Report (SAR) to make it easier for schools to collect them. The school may collect the Statement of Educational Purpose, Certification on Refund and Default, and the Statement of Registration Compliance separately (on the school's financial aid application, for instance) if it wishes.* However, the Statement of Updated Information must be signed on the Student Aid Report itself. The school must keep the signed statement(s) on file for the duration of the record retention period (see Section Five).

LOAN DEFAULTS AND GRANT OVERPAYMENTS

In general, a student is not eligible for OSFA aid if he or she is in default or owes a repayment on an OSFA grant or loan. (In addition, the student would not be eligible to have a parent borrow a PLUS Loan on the student's behalf.) Similarly, a parent is ineligible to borrow a PLUS Loan if that parent is in default or owes a repayment on an OSFA grant or loan. The General Provisions contain several exceptions to this blanket rule, as noted below.

Eliminating Pell Grant overpayments

If a student receives a Pell Grant overpayment, he or she may continue to receive OSFA funds if the overpayment can be eliminated by reducing the later Pell Grant payments in the same award year. If the overpayment was the result of the school's error, the school may continue to pay the student OSFA funds if the student agrees in writing to repay the amount within six months. (See Chapter 4, Section Six for more information on Pell Grant overpayments.)

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* Note that the Statements as they appear on the SAR (and in this section) are different than the versions in the regulation, because some of the necessary information is already on the SAR.

SEOG and SSIG overpayments

If a student receives an SEOG or an SSIG overpayment, he or she may continue to receive OSFA funds if the overpayment can be eliminated by adjusting subsequent financial aid payments within the award period. For instance, if the student received combined aid from the Pell Grant, SEOG, and Perkins Loan programs that exceeded his or her financial need, the student could continue to receive OSFA funds if the later disbursements of the Pell Grant*, SEOG or the Perkins Loan for that year could be reduced by the amount of the overpayment.

Satisfactory arrangements to repay loans

If a student is in default on a Perkins Loan (including NDSL), or a GSL, SLS, PLUS, ICL, or Consolidation Loan, the student may continue to receive OSFA funds if he or she has made satisfactory arrangements with the holder of the loan to repay the defaulted loan. Before a school may pay a student who is in default, it must receive a written statement from the holder of the loan that the student has made satisfactory arrangements. For an ICL or Perkins/NDSL Loan, either the school that made the loan or the Department (if the loan was assigned) must certify that the student has made satisfactory arrangements to repay the loan. In the case of a GSL, SLS, PLUS, or Consolidation Loan, the guarantee agency or the Secretary (for federally insured loans) must determine that the student has made satisfactory arrangements to repay the loan. Note that any loans that have been discharged in bankruptcy are not considered to be in default.

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Certification of default/ overpayment status required

The student is required to certify that he or she is not in default or overpayment status on an OSFA loan or grant. As a convenience to the school, this certification is printed on the Student Aid Report as a part of the "Statement of Educational Purpose/Certification Statement on Refund and Default." However, the certification may be collected on other documents, if the school chooses. If you collect this statement on another document, you must add a line for the student's Social Security Number (or Student Identification Number, if the student does not have a Social Security Number). The law requires that the student include this information with the certification, but the line is omitted on the Student Aid Report, because the student's Social Security or identification number is already printed on the Report.

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* The 1988-89 award year is the first year that the Pell Grant may be adjusted by the financial aid administrator. The financial aid administrator may use professional judgement to increase the SAI to take into account other sources of aid.

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This certification is intended to make it easier for schools to confirm the student's eligiblity. The school may rely on the student's signed statement that he or she is not in default, unless the school has other information (either in its own records or from a financial aid transcript received from another school) indicating that the student is in default or owes an overpayment. If there is conflicting information, the school may not pay the student until it is resolved.

BORROWING IN EXCESS OF LOAN LIMITS

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The Higher Education Amendments of 1986 state that a student who has borrowed in excess of the annual or aggregate loan limits under the OSFA loan programs is no longer eligible for assistance from any OSFA program.

Of course, this should be a relatively unusual occurence, because the school awarding the Perkins or ICL loan, or certifying the GSL, PLUS, or SLS application is required to take into account the student's previous loans. (To account for loans received at other schools, the school must request a financial aid transcript from each school the student previously attended — see Section Six.) However, excess borrowing could occur when a student uses different names to apply for aid, or when a transfer student fails to tell the financial aid administrator about schools previously attended.

A student who has borrowed in excess of the loan limits may regain eligibility for OSFA funds by repaying the excess amount that was borrowed.

REGISTRATION WITH SELECTIVE SERVICE

A student must be registered with the Selective Service System (if required to register) before he can receive aid from the OSFA programs. In general, males between the ages of 18 and 26 are required to register with the Selective Service System.

Exemptions from registration

The major exceptions to the registration requirement are included on the Statement of Registration Status. In addition to those who are female or out of the age range for registration, students who are in the armed services on active duty, or citizens of Palau, the Marshall Islands, or the Federated States of Micronesia, are not required to register.

Exemptions not listed in the Statement

There are several other categories of students who are not required to register with the Selective Service, in addition to those listed in the Statement of Registration Status:

1. Students who are unable to register due to being hospitalized, incarcerated, or institutionalized.

2. Students who are enrolled in an officer procurement program at the Citadel, North Georgia College, Norwich University, or Virginia Military Institute.

3. Students who are commissioned officers of the Public Health Service on active duty and members of the Reserve of the Public Health Service.

Only a few schools will have students in these categories. Therefore, to conserve space, the Department has not included them on the Statement of Registration Status. Instead, the regulations exempt students in these categories from filing the Statement. However, the school should be careful to note in its files the reason why the student was not required to provide a Statement.

✓ DAA

Students over 26

In recent years, a number of students have been denied aid because they failed to register with the Selective Service before their 26th birthday. The Selective Service System will only register males between the ages of 18 and 26, leaving these students with no way to remedy their earlier failure to register. The Department of Defense Authorization Act amends the registration requirement for student aid to allow a school to pay a student who failed to register when required, if the student did not "willfully avoid registration." The student must obtain an advisory opinion from the Selective Service's Office of General Counsel and submit it to the school.* The financial aid administrator may rely on Selective Service's recommendation.

MEMBERS OF A RELIGIOUS ORDER

A student may not receive Pell Grant or campus-based aid if her or she is a member of a religious community, society,or order that directs the student's course of study or provides subsistence support to the student. Members of a religious order are not considered to have financial need.

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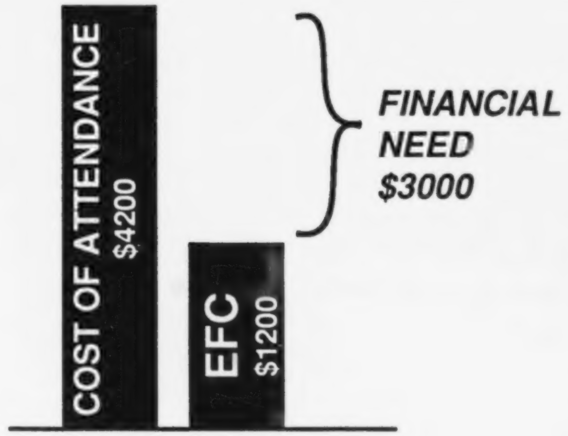
* This represents a change from the original procedure. The 1987-88 *FSFA Handbook* stated that the school should request an administrative review from the Department under §668.35(c) of the General Provisions.

SECTION TWO: OVERVIEW OF FINANCIAL NEED

With the exception of the SLS and PLUS programs, a student must demonstrate financial need to receive aid from the OSFA programs. Unlike scholarship programs that may award funds based on academic merit or area of the study, need-based aid is awarded to students based on their family's need for assistance. The concept of need is not solely a requirement for Federal aid, but has been used for many years by schools to award their own aid.

Financial need is simply defined as the difference between the student's cost of education and the student's ability to pay those costs.

The educational costs for the OSFA programs are defined by statute, and are fairly easy to calculate based on the student's tuition and fee charges, living situation (on-campus, off-campus, off-campus with parents), and other factors. However, the student's ability to pay, known as the "expected family contribution," is a much more complicated assessment. (The expected family contribution figure for the Pell Grant Program is known as the Student Aid Index (SAI) and for the campus-based and GSL programs is the family contribution (FC).)



***Financial need:** the difference between the cost of education and the amount the family can contribute (EFC).*

The purpose of this section is to review the concept of financial need, and to show how it is affected by recent changes to the law. We will discuss need analysis and the independent student definition first, and then the cost of attendance, overawards, and packaging.

NEED ANALYSIS

Sometimes the term "need analysis" is used to describe the overall process of finding the student's financial need (i.e., cost of attendance minus the expected family contribution). In its more technical sense, "need analysis" refers only to calculating the expected family contribution.

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Need analysis defined by law

For the OSFA programs, there are two major need analysis methodologies, which have been defined in the law (Higher Education Amendments of 1986). The Pell Grant formula produces a Student Aid Index (SAI). For the campus-based and GSL programs, the school must use the Congressional Methodology, which produces a Family Contribution (FC) figure. If you want to know more about how the SAI or FC is calculated, see *The Pell Grant Formula 1988-89* or *The Congressional Methodology 1988-89.*

U.M.

In addition to the Pell Grant and CM formulas, some schools will be using Uniform Methodology to award their non-Federal aid. We will not discuss the Uniform Methodology in this publication, since it is not used to award aid in the OSFA programs.

The Pell Grant and CM formulas

The Pell Grant formula and the Congressional Methodology (CM) formula are similar in that they analyze a family's income, expenses, and (in some cases) assets to arrive at the expected family contribution. As in past years, there are different versions of the Pell and CM formulas, for dependent and independent students.

Similarities and differences

Though both formulas use the same student/parent information, and use similar steps to analyze the information, there are many differences between the Pell Grant and the CM formulas. In particular, the formulas use different offsets, reserves, and assessment rates. For instance, both formulas use the home asset and home value line items on the application.* However, the Pell formula uses a flat reserve of $30,000 for home assets for most applicants, while the CM formula computes an "asset protection allowance" to be used as a reserve against all assets, based on the age of the older parent (or the student's age, for an independent student). The assessment rates for the family's assets are also very different, depending on whether you use the Pell or CM formulas.

In addition to the differences in the use of offsets, reserves, and assessment rates, the CM formula has some additional considerations, such as the Minimum Contribution from Income, and the adjustment for students who will attend more or less than the standard 9 months in the award year.

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* Unless the home assets are excluded from the formula for a dislocated worker or displaced homemaker, or the student qualifies for the simplified needs test.

The Higher Education Amendments of 1986 included modifications to both formulas for dislocated workers and displaced homemakers. Home assets are not counted for dislocated workers and displaced homemakers. In addition, for dislocated workers only, expected year income is used rather than base year income. (For the 1988-89 award year this means that 1988 income would be used rather than 1987 income.)

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DISPLACED HOMEMAKER

A displaced homemaker generally means a person who

1. has not worked in the labor force for a substantial number of years (approximately five years or more), but has been a homemaker for those years (i.e., has worked in the home providing unpaid services for family members).
2. is currently receiving public assistance for dependent children in the home, or who has been dependent on public assistance or on the income of another family member, but is no longer receiving that income.
3. is unemployed or underemployed and is having trouble getting a job or getting a better job.

DISLOCATED WORKER

This is a classification used by state employment agencies (such as the State Employment Service or Job Service). "Dislocated worker" generally means a person who has been fired or laid off from work, or who was self-employed (such as a farmer) but is now unemployed because of poor economic conditions in the community or because of a natural disaster. The parent, student, or spouse must be classified as a dislocated worker by the state employment agency to qualify for the adjustments to the formula.

Schools are not required to document whether the student, parent, or spouse is a dislocated worker. However, you may request that the student provide such documentation. Any questions regarding the student's certification as a dislocated worker should be directed to to the dislocated worker's hometown employment or job service office. The Department sent a State list of these offices to all schools in April of 1988 (Dear Colleague GEN-88-16). If you have questions about a person who is a resident of another State, please call the Federal Student Information Center (1-800-333-INFO) for the appropriate contact.

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Simplified Needs Test

The Higher Education Amendments of 1986 also established a "simplified needs test" for certain low-income families. The formula for the simplified needs test follows many of the same steps as the regular formula. However, the simplified formula does not count the student's veterans benefits, the family's assets, or make allowance for unusual medical/dental expenses or elementary/secondary tuition paid. In general, the simplified formula is used to calculate the SAI and the FC if the family's total taxed (or earned) income is $15,000 or less, and if the family members do not file a tax return, or file the 1040A or 1040EZ.

INDEPENDENT STUDENT DEFINITION

One of the most important decisions in need analysis is whether the student should be treated as a dependent or independent student. If the student is dependent on his or her parents, the student will have to include parental information on the financial aid application, and a parental contribution will be added to the student's contribution.

Parental responsibility

Traditionally, need analysis methodologies have assumed that parents have the primary responsibility to pay for their children's education. However, there have always been exceptions to this rule, for students who no longer have contact with their parents, non-traditional students who are too old to be considered the parents' responsibility, and other cases. Most financial aid applications ask several questions at the outset that decide whether a student will be considered dependent on their parents, or independent.

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New definition

The Higher Education Amendments of 1986 significantly changed the definition of an independent student for 1987-88 and subsequent award years. In previous award years, the application asked questions that were difficult to verify, such as the length of time the student lived with the parents during the year, and how much support the parents gave to the student. The definition has been revised to use questions that are less subjective, and easier to verify. At the same time, financial aid administrators have been given the authority to make exceptions for students who have individual circumstances that make them independent, even though they do not meet the definition in the law.

For the 1988-89 award year, a student is automatically independent if he or she is:

1. *Over 23 years of age,*
2. *Is a veteran of the U.S. Armed Forces,*
3. *Is an orphan or ward of the court*
4. *Has legal dependents other than a spouse.*

The student will also be considered to be independent if the school documents that one of the following circumstances exists:

5. *The student is married, or a graduate or professional student,* and will not be claimed as an income tax exemption by his or her parents for the 1988 tax year.

6. *The student is a single undergraduate student,* and was not claimed as an income tax exemption by his or her parents in either 1986 or 1987, and demonstrates self-sufficiency for two years. The student is considered self-sufficient if he or she had total annual income and other resources of at least $4,000. If the student received aid in the 1987-88 award year, the two years used to show self-sufficiency are 1985 and 1986. If the student did not receive aid in 1987-88, the two years are 1986 and 1987.*

TERMS USED IN THE INDEPENDENT STUDENT DEFINITION

LEGAL DEPENDENT. Any person who lives with the student, receives more than half-support from the student, and will continue to receive more than half-support from the student during the award year. Also, the natural or adopted child of the student, or a child for whom the student is legal guardian, if the child receives more than half-support from the student (the child does not have to live with the student)

OVER 23 YEARS OF AGE. A student who is at least 24 years old on December 31, 1988.

PARENT. A natural or adoptive parent, or a legal guardian who has been appointed by a court and specifically directed by the court to support the student.

RESOURCES. Includes not only traditional sources of income (such as wages, salaries, tips, interest and dividend income, untaxed income and benefits, fellowships and veteran's cash benefits), but also any student financial aid (except PLUS loans), and personal long-term cash loans used for educational purposes. As mentioned before, these resources may not include any support received from the student's parents.

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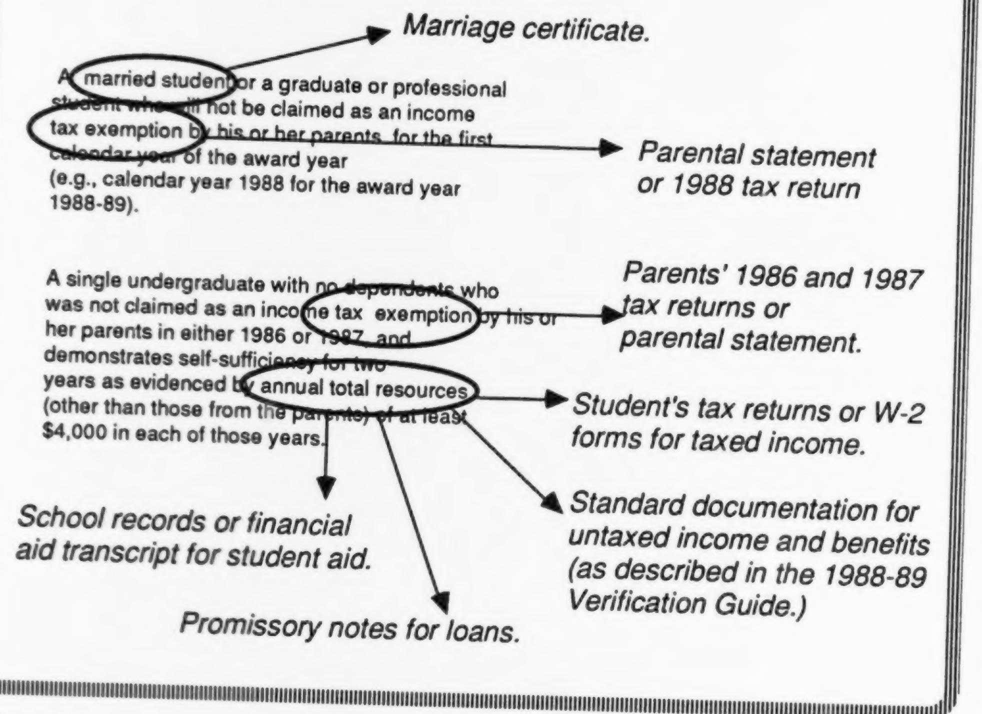
* The two years used to demonstrate self-sufficiency are the two years before the student first received Federal student aid, beginning with the 1987-88 award year.

Independent students claimed as tax exemption

The law makes an important exception to the last two criteria (#5 and #6). Even if a student meets one of these criteria, the student would be considered to be dependent in the 1988-89 award year if the student was an independent student in the 1987-88 award year, but was claimed as an income tax exemption by another person (other than his or her spouse) in 1987. If the financial aid administrator is aware that a student is dependent based on this exception, the aid administrator must use the procedures described in Section Three to override the student's dependency status on the financial aid application. (The financial aid administrator may still use professional judgement to decide that the student is in fact independent despite this exception, in which case no override would be necessary — the dependency status on the application would be correct.)

Remember that the financial aid administrator is required to *document* that a student meets one of the last two criteria before paying the student under any OSFA program. (The school may certify a GSL or SLS loan application, but may not process the student's loan check until the documentation is provided.) The law does not specify the kinds of documentation that would show that a student meets a given criterion. The Department does not have the authority to issue regulations regarding the independent student definition, but considers the following documentation to be appropriate for each criterion:

INDEPENDENT STUDENT DOCUMENTATION (1988-89 AWARD YEAR)



A married student or a graduate or professional student who will not be claimed as an income tax exemption by his or her parents for the first calendar year of the award year (e.g., calendar year 1988 for the award year 1988-89).

A single undergraduate with no dependents who was not claimed as an income tax exemption by his or her parents in either 1986 or 1987, and demonstrates self-sufficiency for two years as evidenced by annual total resources (other than those from the parents) of at least $4,000 in each of those years.

Marriage certificate.
Parental statement or 1988 tax return
Parents' 1986 and 1987 tax returns or parental statement.
Student's tax returns or W-2 forms for taxed income.
School records or financial aid transcript for student aid.
Standard documentation for untaxed income and benefits (as described in the 1988-89 Verification Guide.)
Promissory notes for loans.

Tax return vs. parental statements

The Federal income tax return is preferable to the parental statement as documentation for 1986 and 1987 income. However, the criterion for married, graduate, or professional students refers to the tax exemptions claimed on the 1988 tax return, which cannot be filed until January 1989 at the earliest. Therefore, in most cases, a student applying for aid in the 1988-89 award year should provide a statement signed by the parents that certifies that the parents will not claim the student as an exemption for that year. The financial aid administrator may also ask for a copy of the student's tax return, a marriage certificate, a promissory note, or other proof that the student meets the criteria for eligibility.

Professional judgement

In unusual circumstances, a student who does not meet any of these criteria may still be considered independent. The financial aid administrator at the student's school may use professional judgement to decide that a student is in fact independent, despite the student's answers to the questions on the application. The aid administrator must make this decision on an individual (case-by-case) basis, and must document in the student's file the reasons for that decision. (The student will have to use a Correction Application to apply for aid, and the financial aid administrator will have to use the procedures described in Section Three to override the student's dependency status as shown on the application.)

Please bear in mind that the aid administrator may only use this professional judgement to make a dependent student (based on the questions on the financial aid application) independent. An aid administrator cannot force a student who is independent under the statutory definition to file as a dependent student.* However, the financial aid administrator may include a parental contribution for an independent student if the administrator decides that such a contribution is warranted. Again, any such individual determination must be documented in the student's files.

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* The only circumstance in which the dependency override may be used to make an otherwise indpendent student dependent, is when the student was independent in 1987-88 but was claimed as a tax exemption in 1987, as described on the previous page.

COST OF ATTENDANCE

The cost of attendance is an estimate of the student's educational expenses for the year. Traditionally, the cost of attendance includes such categories as tuition and fees, room and board and other expenses such as transportation, books, supplies. In addition, some students may have additional expenses that may be a part of their cost of attendance: the cost of a "junior-year abroad" program, for instance, or the cost of special equipment or services for a handicapped student. The following discussion gives a general overview of the the cost of attendance for the OSFA programs. More detailed information is given in each of the program chapters.

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New cost provisions

The Higher Education Amendments of 1986 included new provisions governing the cost of attendance for the OSFA programs. These new provisions are effective for the 1988-89 award year, and subsequent award years. In essence, there are two different costs of attendance for the OSFA programs: the Pell Grant cost of attendance, and the cost of attendance used for the campus-based and GSL/SLS/PLUS programs. The costs of attendance have similar categories of student costs, as shown in the following chart:

COST OF ATTENDANCE

PELL GRANT PROGRAM	**CAMPUS-BASED GSL/SLS/PLUS PROGRAMS**
Tuition and fees	Tuition and fees
Living expenses *(limited standard allowance for room, board, books, supplies, transportation and miscellaneous expenses)*	Room and Board *(minimum standard allowance)* Books, supplies, transportation and miscellaneous personal expenses
Child care allowance	Dependent care allowance
Handicapped allowance	Handicapped allowance

Tuition and fees

Both costs of attendance include actual or average tuition and fee charges. However, the Pell Grant cost of attendance must always be based on the costs for the student to attend a full academic year as a full-time student. The cost of attendance for the other programs must be adjusted if the student is part-time, by using actual or average part-time tuition and fees, or by pro-rating the average full-time tuition and fee charge.

Living expenses

The Pell Grant cost of attendance has a combined standard allowance for all of the student's living expenses, while the cost of attendance for the other programs has two separate categories (the room/board allowance and another allowance for books/supplies/transportation/miscellaneous). The school sets the standard allowance for these categories, based on the typical costs for its students.

Note that the Pell Grant standard allowance has a *maximum* limit, while the standard allowance for room and board in the other programs is a *minimum* amount. For instance, the standard allowance for living expenses in the Pell Grant Program may not exceed $1,600 for a student without dependents who lives at home with his or her parents. In contrast, the standard allowance for room and board for the other programs must be at least $1,500 for a student without dependents who lives at home with his or her parents. There are other variations in the two costs of attendance for students who have dependents, or who do not live with their parents.

Child and dependent care

Another difference between the two costs of attendance is that the Pell Grant cost includes a *child care* allowance, while the other programs have an allowance for *dependent care*. (Dependent care includes the cost of child care, as well as the costs for adult dependents of the student who require special attention or supervision.) The child care allowance for the Pell Grant Program is limited to $1,000.

Handicapped expenses

Both costs of attendance have an allowance for special expenses incurred by *handicapped students*. The allowance is set by the school, based on additional expenses of the student related to his or her handicap, such as the cost of special services, equipment, and supplies. (Transportation costs resulting from the student's handicap may also be included for the campus-based and GSL/SLS/PLUS programs.) This allowance must not include any costs of any services provided or paid for by other assisting agencies, such as the State vocational rehabilitation agency. The school must be able to justify and document the costs.

The law includes special provisions concerning costs for the campus-based and GSL/SLS/PLUS programs, for students enrolled less than half-time, for students studying abroad or in correspondence programs or through telecommunications. The Pell Grant cost of attendance does not make any special distinctions for students in these programs.

Adjusting costs

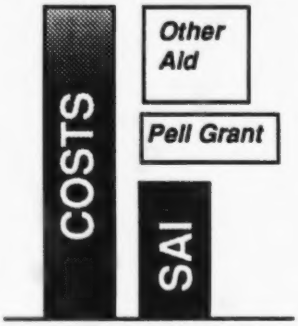
The financial aid administrator has the authority to adjust the cost of attendance for a student, on a case-by-case basis, based on special circumstances. Such adjustments must be documented in the student's file.

OVERAWARDS, RESOURCES, AND ESTIMATED FINANCIAL ASSISTANCE

We have seen how to find a student's financial need by comparing the cost of attendance to the expected family contribution. But the student may be receiving aid from other sources to help meet that financial need. A basic premise of need-based aid is that the total package of aid must not exceed the student's financial need. Because of differences in the way aid is handled in the OSFA programs, the programs differ in the way that they take into account other sources of aid.

Pell Grants

Pell Grants are considered to be the first source of aid to the student. Thus, the Payment Schedule only takes into account the student's cost of attendance and expected family contribution (SAI) in setting the amount of the student's award. Other sources of need-based aid are expected to take the Pell Grant into account when awarding funds. However, it is always possible that the student will receive a scholarship or other aid that, in combination with the Pell Grant, exceeds the student's need. Even if this happens, the student is still eligible for the Pell Grant as determined by the Payment Schedule. (In such a situation, the financial aid administrator may use professional judgement to make an individual adjustment to the student's Student Aid Index to take into account any additional resources.)



PELL EXAMPLE

Campus-based resources

In contrast to the Pell Grant Program, the regulations for the campus-based programs specifically require the school to take into account any resources available to the student when awarding funds from those programs. *Resources* include the student's Pell Grant eligibility, Guaranteed Student Loans, veterans benefits, outside scholarships, and student earnings during the award year. If the total of the student's expected family contribution (in this case, the FC), resources, and campus-based aid exceeds the student's cost of attendance, the campus-based aid must be reduced to prevent an overaward.*

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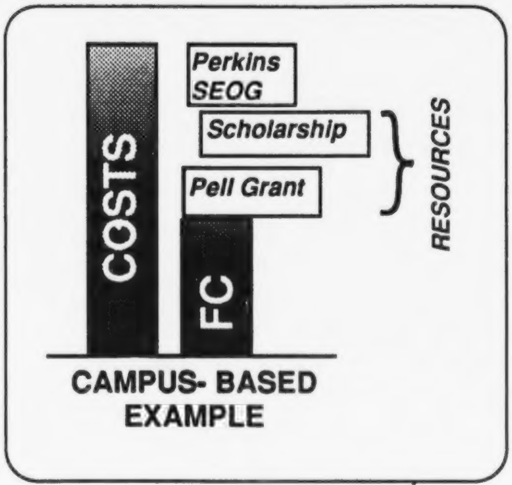
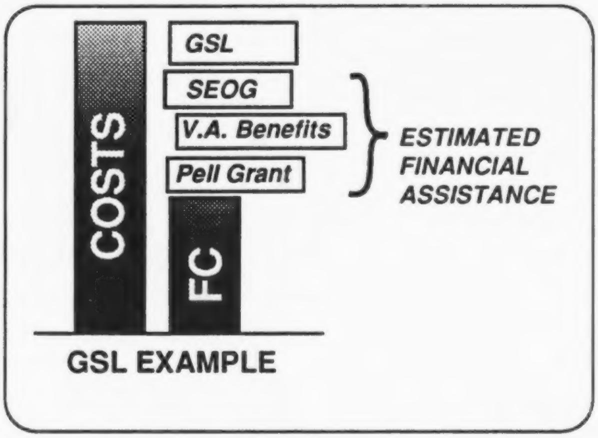
* The campus-based regulations give very detailed instructions on the steps to be taken by the school if it finds out *after it has awarded funds* that a student will receive additional resources. See §§ 674.14, 675.14, 676.14.

The student has costs of $6,000, with an FC of $1,500. The student's resources are a $2,000 Pell Grant, and a $2,000 outside scholarship. The school awards the student a $500 SEOG and a $1,500 NDSL to fully meet the student's financial need.


COSTS
FC
Perkins SEOG
Scholarship
Pell Grant
RESOURCES
CAMPUS- BASED EXAMPLE

GSL: Estimated Financial Assistance

The statute governing the GSL program does not use the definition of "resources," but defines a similar term, "estimated financial assistance." The school may only certify a GSL application for the difference between the student's cost of attendance on the one hand, and the FC plus estimated financial assistance on the other.


COSTS
FC
GSL
SEOG
V.A. Benefits
Pell Grant
ESTIMATED FINANCIAL ASSISTANCE
GSL EXAMPLE

Note that the definitions of "resources" and "estimated financial assistance" in the program regulations include many of the same types of aid, but are not identical, as shown in the comparison on the next page.

SLS/PLUS loans

Under the SLS and PLUS programs the loan is considered to replace the student's FC. However, the school must still take the student's cost of attendance and any estimated financial assistance into account when certifying the loan. Thus, the SLS or PLUS loan may not exceed the cost of attendance minus estimated financial assistance.

RESOURCES

1. Pell Grant eligibility
2. Guaranteed Student Loan
3. Waiver of tuition and fees
4. Grants (including SEOG and ROTC subsistence allowance)
5. Scholarships (including athletic and ROTC scholarships)
6. Fellowships and assistantships
7. Insurance programs for the student's education
8. Veterans benefits

Sections 674.14, 675.14, 676.14
December 1, 1987

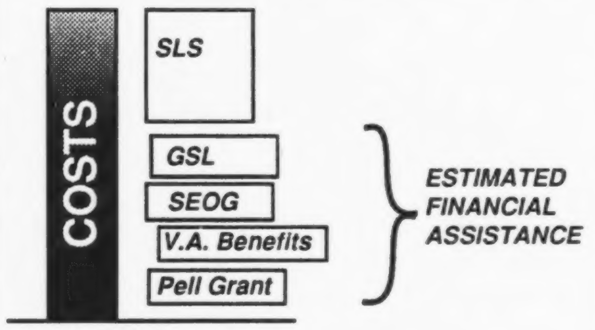
ESTIMATED FINANCIAL ASSISTANCE

1. Pell Grant and campus-based eligibility, and other Federal student aid
2. Social Security educational benefits
3. Educational Benefits from Selected Reserve Educational Assistance Program (chapters 106, 107 of title 10)
4. ROTC scholarships and subsistence allowances (chapter 2 of title 10 and chapter 2 of title 37)
5. Origination fee and insurance premium for GSL and PLUS, if included in the student's cost of attendance
8. Veterans benefits (chapters 30, 31, 32, 34, and 35 of title 38)

Section 682.200
November 10, 1986

SLS/PLUS example

For instance, if a student has a cost of attendance of $8,000, an FC of 1,500, and a $2,000 Pell Grant, $2,000 veterans benefits, and a $1,000 SEOG, the student would be eligible for a maximum Guaranteed Student Loan of $1,500 . However, because SLS and PLUS loans can replace the student's expected family contribution (FC), the student would also be eligible for an additional $1,500 from one of those programs.



SLS EXAMPLE

PACKAGING AID

We would be remiss if we did not at least mention the concept of packaging, even though the Department does not regulate in this area. Packaging is the science of finding the best combination of aid that meets the student's financial need, given the constraints of available funds.

If your school does not participate in the campus-based programs, and doesn't have its own sources of aid, packaging is not an issue. The student is eligible for a certain amount of Pell Grant aid, and any GSL must not exceed the remaining financial need.

Packaging philosophies

On the other hand, if your school does have other sources of aid, you have to decide how to allocate scarce funds from different sources to meet each student's financial need. Should you give priority to students who apply for aid first, on a "first come, first served" basis? Do you offer grant assistance to beginning students, and loans and work-study to students who have had a chance to adapt to the academic program? If you do not have enough funds to meet every student's need, do you give more assistance to the neediest students, or give an equal proportion of aid across the board?

Schools have different philosophies of packaging, depending on the characteristics of its academic programs, and the make-up of its student body. Section Nine of the *Self-Instructional Modules* (prepared through contract by the Office of Student Financial Assistance) discusses some of the basic types of packaging. To get ideas about different approaches to packaging, you may also want to refer to materials prepared by the professional associations representing schools and financial aid administrators, or consult with other aid administrators at schools that have similar characteristics.

SECTION THREE: USING THE FEDERAL PROCESSING SYSTEM

In the previous section, we discussed the theory of financial need and need analysis. In this section we will discuss the more practical aspects of how the student's financial information is sent to the Federal processing system, and how a financial aid administrator can use the processing system to make changes to the student's information.

EFFECT OF NEED ANALYSIS CHANGES ON THE PROCESSING SYSTEM

Prior to the 1987-88 award year, there would have been relatively little need to discuss the Federal processing system. The processing system accepted student data and calculated a Student Aid Index and a Family Contribution, and sent this information to the student. If the student's information was incorrect, the student made corrections either on the Student Aid Report or on a Correction Application and returned it to the processor. The student could not be paid a Pell Grant until he or she received the valid, reprocessed SAR and submitted it to the school. If the student's family had special circumstances not reflected in the need analysis methodology, the financial aid administrator could adjust the FC figure for the campus-based programs and GSL/PLUS. However, the SAI figure used to award the Pell Grant could never be adjusted.

Processing before 87-88

✓HEA 86

The Higher Education Amendments of 1986 made major changes that allow financial aid administrators much more authority in the area of need analysis for the Pell Grant Program. Beginning in the 1987-88 award year, a financial aid administrator could *override* the student's dependency status if the aid administrator believed that the student was independent, even though the student's answers to the dependency questions made the student dependent. Under certain circumstances, the school could make a *first payment* to the student before actually receiving the valid Student Aid Report, even if the student's information needed to be corrected and a *recalculation* was necessary.

87-88 changes:

dependency overrides

first payment option & recalculations

88-89 changes: adjustments, simplified needs test

For the 1988-89 award year, the financial aid administrator may *adjust* the Student Aid Index (or its components) if the aid administrator believes that the family has special circumstances not reflected in the Pell Grant formula. In addition, now that there is a "simplified needs test," the Student Aid Report may have two Student Aid Indexes, and the aid administrator may choose to substitute the secondary SAI for the primary SAI.

Reporting SAI changes

Financial aid administrators have always been able to make similar changes to the FC figure for campus-based aid and GSL/PLUS, without having to report the changes back to the Federal processing system. However, the Pell Grant Program is more centralized than the other aid programs, and is unique in that it provides funds directly to the school for all eligible students who present a valid Student Aid Report. There has always been a link between the Pell Grant Disbursement System, which monitors each school's Pell Grant expenditures, and the application processing system, which calculates the Student Aid Index. Consequently, all four types of changes, *dependency overrides, recalculations, adjustments, and use of the secondary SAI,* must be reported back to the Federal processing center in Iowa, or to the Pell Grant Disbursement System. (See Chapter Four, Section Seven, for a complete discussion of the Disbursement System.)

MDE PROCESSORS AND OTHER NEED ANALYSIS SERVICERS

MDE processors and the Federal system

There is an increasing variety of organizations that offer different need analysis services to postsecondary schools. The Department has awarded contracts to four of these need analysis servicers to become "Multiple Data Entry" processors (MDEs). The Federal application and the applications for the MDEs contain identical "core elements" that are needed to calculate the SAI and FC figures for the OSFA programs. If a student completes an MDE application and checks the appropriate box, the student's information will be sent to the Federal application processing center in Iowa (see diagram at the end of this section).

Using the SAR and the Correction Application

The Federal processing system uses the student's information to calculate the SAI and the FC, and sends a Student Aid Report to the student's home address. The MDEs have varying procedures for dealing with corrections and recalculation of student information. However, the MDE processors only transmit the student's original application information (the "01" transaction) to the Federal processor. Corrections or other changes made to the student's information through an MDE processor are generally not transmitted to the Federal processing center. Once the student's information is at the Federal processing center, you must use the Correction Application or the Student Aid Report to correct that information for Pell Grant purposes.

There are five forms used by the MDE processors:

- *Financial Aid Form (FAF)*
- *Family Financial Statement (FFS)*
- *Application for Pennsylvania State Grant and Federal Student Aid*
- *Student Aid Application for California (SAAC)*
- *Application for Federal and State Student Aid (AFSSA - Illinois)*

Other need analysis servicers

In addition to the MDE processors, there are many other types of need analysis servicers that do not transmit student information to the Federal processing system. Beginning with the 1988-89 award year, a need analysis servicer must be certified by the Department before the FC figures that it calculates may be used in the campus-based and GSL programs. To be certified, the servicer must be able to calculate the *exact FC* produced by the Congressional Methodology, based on up to 5,300 test cases.* There are four levels of certification, depending upon whether the servicer also is able to select students for verification, and is able to use edits specified by the Department to calculate an FC for a student who provides incomplete or inconsistent information.

If you use an MDE or other need analysis servicer, refer to the materials provided by that servicer to find out what level of service it provides and what procedures to use to submit and correct student information. Note that MDEs and other need analysis servicers will also be calculating a version of the FC using Uniform Methodology (UM), for schools to use in awarding non-Federal aid. The UM figure may not be used for the campus-based or GSL programs.

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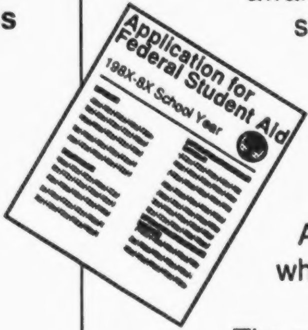
* The list of certified need analysis servicers will be published in the **Federal Register** in May 1988.

THE APPLICATION FOR FEDERAL STUDENT AID

Design changes


Application for Federal Student Aid
198X-8X School Year

There have been two major design changes to the AFSA for the 1988-89 award year. First, this year's AFSA is a "combined form" — a single application that can be used by both dependent and independent students. After the student completes Step 1 to find out if he or she is an independent student, and fills out the personal information in Step 2, the form divides into red-shaded areas (parental information) and gray-shaded areas (independent student information). Areas that are not shaded must be filled in by all students, whether they are dependent or independent.

Simplified data elements

The second major design change is that the first two pages of the AFSA have all the questions necessary to calculate the "simplified" version of the FC and SAI. The additional questions that are necessary to calculate the regular formulas are on the last page, titled "Supplemental Information." A student can find out whether he or she needs to complete the additional questions by using the worksheets (6A or 6B) in the instructions. (Of course, the student has the option of filling out the Supplemental Information even if he or she qualifies for the simplified formulas — in some cases this may be to the student's advantage.)

Of the other MDE applications, only the Student Aid Application for California has a simplified version. Therefore, most students applying with one of the MDE applications will be providing enough information for both regular and simplified versions of the SAI and FC to be calculated.

OVERRIDING DEPENDENCY STATUS ON THE CORRECTION APPLICATION

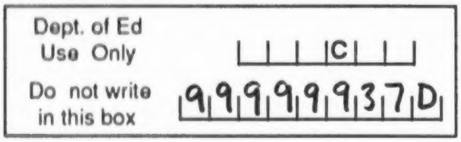
Use Correction Application for dependency overrides

If you decide to override the student's answers to the dependency status questions on the application (as described in Section Two), you must have the student use a Correction Application. The student may not use the Student Aid Report to change *dependency status*. The Correction Application can be used to change the status of a student who has already applied as a dependent student, or as the student's first application for the award year. Please note that the dependency status override is the *only* situation in which a Correction Application may be used for a first ("01") transaction.

You should tell the student to fill out the dependency questions (Step 1) on the application with the correct information, even though the answers appear to make the student dependent. However, the student should then fill out the gray (independent) form, even though the directions state that the blue form should be used. You should then fill in the override code, as described below. The application will be processed as an independent form.

Override code

An application submitted using the dependency status override must have a correct override code, filled out by the financial aid administrator (or an authorized member of the school's financial aid staff). The override code is nine spaces, for the school's six-digit Pell Institution Number, the middle two digits of the student's social security number, and either a "D" (for dependent to independent changes) or an "I" (for independent to dependent).* The override code must be written in the "Dept. of Ed Use Only" box that appears on the last page of the Correction Application, just below the signature lines.



Dept. of Ed Use Only

Do not write in this box

C

9 9 9 9 9 9 3 7 D

MDE overrides

If the student is filing on the Financial Aid Form or the Family Financial Statement, different procedures will apply. Both the College Scholarship Service and the American College Testing Service are also accepting dependency status overrides on the first transaction, with an accompanying form or letter that is signed by an authorized school official. You should refer to the materials sent to you by the MDE agency for further details on these procedures. However, please note that the MDE processor will only forward override information to the Federal processing system from the first application. If the financial aid administrator overrides the student's dependency status on a later MDE transaction, the student will have to submit a separate Correction Application to the Federal processor to override the dependency status used for the SAI on the Student Aid Report.

PROCESSING THE STUDENT'S APPLICATION

Edits

Each of the processing systems keypunches or scans the information that the student reported on its application, and calculates an SAI and an FC for the student. The MDE processors and the Federal processor use a series of "edits" to check whether the student's information is consistent. For instance, it would be inconsistent for a dependent student of a single parent to report income earned from work for two parents.

Assumptions

If the student's information is inconsistent, the processor may be unable to calculate the SAI and FC, or may calculate an official SAI and FC based on assumptions built into the processing system. (In some cases, the MDE processors will calculate an "estimated" figure, which *may not* be used for payment in the OSFA programs.)

The Federal processing system receives student information not only from the Application for Federal Student Aid, but also from all of the other MDE processors. If the student's information was received from an MDE processor, the official SAI and FC calculated by that processor is printed on the Student Aid Report.*

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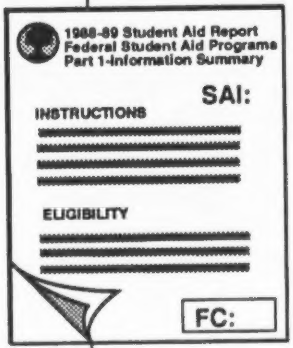
* If your school does not have a Pell ID number, only fill in the last three boxes (middle two digits of student's SSN and the override code). You must attach a note to the application explaining that your school has no Pell ID number.

THE STUDENT AID REPORT

When a student's information has been received by the Federal processing center, either from an ASFA or through an MDE processor, the Federal processor prints a Student Aid Report and mails it to that student's home address. The Student Aid Report comes in three parts, with each part serving a different purpose:


1988-89 Student Aid Report
Federal Student Aid Programs
Part 1-Information Summary
SAI:
INSTRUCTIONS
ELIGIBILITY
FC:

Part 1 - Information Summary Part 1 serves as an eligibility letter to the student. The SAI and the FC are printed on the front, along with an explanation of how the SAI was calculated and instructions for the student. A summary of the student's information is printed on the back of Part 1, with the certification statements to be signed by the student.

Part 2 - Information Request Form/ Information Review Form The student uses Part 2 to make corrections. Part 2 has an expanded listing of the student's information (under the "You told us" column), with space for the student to correct the information (under "The answer should be").

Part 3 - Payment Document If the student has an eligible SAI, the school uses Part 3 to report the payment to the Pell Grant Disbursement System. (See Section Seven of Chapter Four for detailed instructions.)

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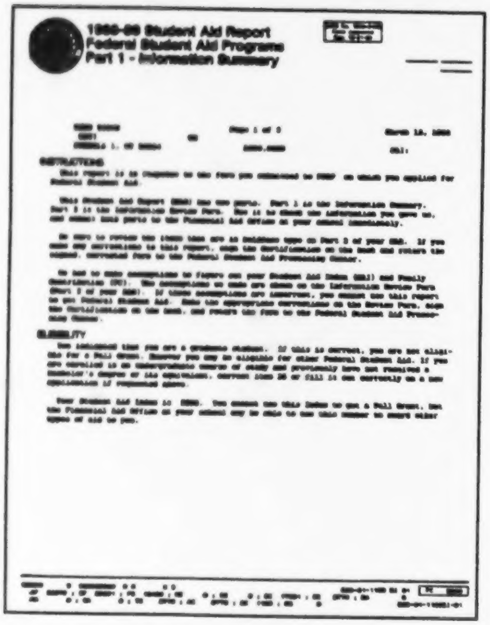
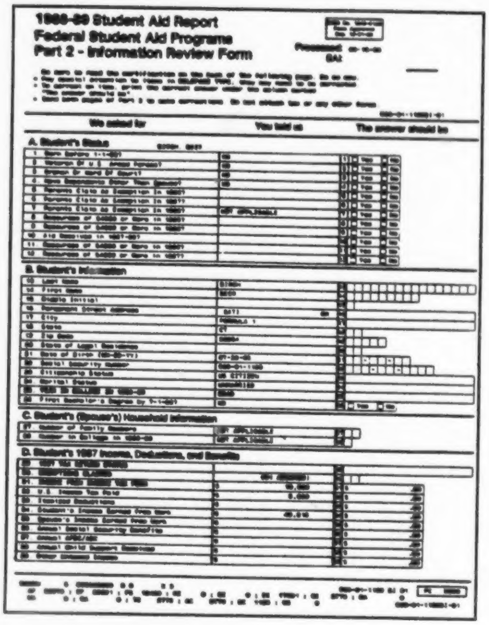
* The SAI and FC figures calculated by MDE processors should be identical to those calculated by the Federal processor, since all systems are using the same formula and edits. The Federal processor will be performing back-up calculations for all student information transmitted from MDE processors. If any discrepancies occur, the MDE system will be brought into alignment immediately. If there is a discrepancy in the two calculations, the Student Aid Report will be printed with the MDE-calculated figures, but the Report will not have the "intermediate values" printed along the bottom of the first page of Part 1. The school may still treat that Student Aid Report as the student's valid SAR for Pell Grant payment.



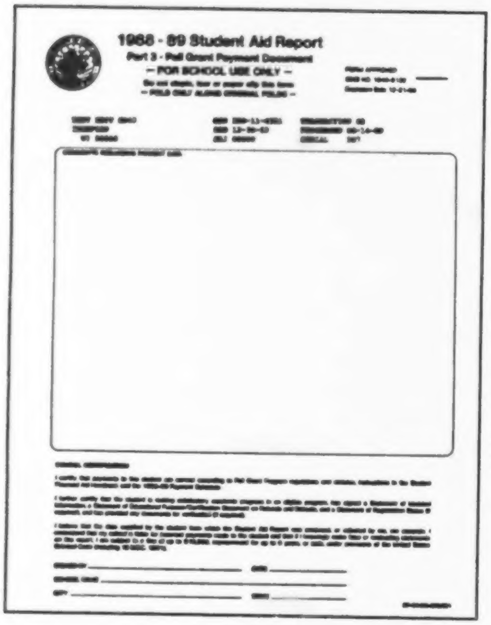
1988-89 Student Aid Report
Federal Student Aid Programs
Part 1 - Information Summary

Part 1 -- Official SAI and FC printed on front, with comments addressed to student. Summary of student data printed on back, with the certification statements to be signed by student (Statements of Updated Information, Educational Purpose, Refunds and Defaults, and Registration Status.) If the comments are extensive, Part 1 may have additional pages.



1988-89 Student Aid Report
Federal Student Aid Programs
Part 2 - Information Review Form

Part 2 -- Expanded listing of student data printed on front and back, with space for the student to make corrections. Assumptions made by the processing system are highlighted in bold. (For dependent students, Part 2 is printed on four pages.) The "School Use Only" box, for FAA adjustments, is printed on the last page.



1988 - 89 Student Aid Report
Part 3 - Pell Grant Payment Document
-- FOR SCHOOL USE ONLY --

Part 3 -- Payment Document for Pell Grant recipients. Part 3 is always two pages, and is only sent when the Student Aid Report has an eligible SAI. The front has comments addressed to the FAA, and the School Certification. The back has boxes for reporting payment data, such as cost of attendance and enrollment status. Item 10 can be used by the FAA to adjust the SAI.

THE 1988-89 STUDENT AID REPORT

The SAR comes in several different "flavors," depending on whether the student was eligible or ineligible, and whether the student's information was consistent.

Void SAR

If the student files more than one original application, the Federal processor will produce a *void* SAR in response to the second application. This will usually happen when the student files both a Federal and an MDE form. The void SAR only contains the Part 1 Eligibility Letter, noting that the student already has an application on file and instructing the student to use the SAR from the original application to make any corrections.

Reject SAR

If the student's information has major inconsistencies or omissions, the Federal processor will not calculate an SAI or FC for the student. Instead, the processor will *reject* the application, and will send the student Parts 1 and 2 of the SAR. In this case, Part 2 will be titled "Information Request Form," which indicates that the SAI and FC cannot be calculated unless the student supplies the requested information. If the inconsistencies affect a significant portion of the student's information, the processor will send the student a Correction Application, so the student can "start from scratch."

Official SAI and FC calculated with assumptions

If the student's information has minor inconsistencies, the Federal processor may be able to make assumptions to calculate an official SAI and FC. In this case, the processor will send the student Parts 1 and 2 of the SAR. Part 2 will be titled the "Information Review Form," and will highlight the possibly inconsistent information. The student is asked to review this information carefully for errors before submitting the Student Aid Report to the financial aid office. The Federal processor only includes Part 3 of the SAR (the Payment Document) for those students who have an eligible SAI.

If any of the student's information is incorrect, the student must fill in the correct information, sign the certification on the back of Part 2, and mail Part 2 back to the Federal processor. (If the student is dependent, the student's father and mother must sign the certification statement; if married, the student's spouse must also sign.) If the processor's assumptions are correct, and the student is eligible, you may use the SAI and FC to pay the student.

Of course, there is another possibility that we haven't mentioned: the perfect Student Aid Report, on which all the information is consistent and accurate. Hopefully, most of the SARs that you receive will be in this category. In this case, the Federal processor sends Part 1 and Part 2 (an "Information Review Form," with none of the information highlighted) of the SAR to the student, along with Part 3 if the student has an eligible SAI. Even if the student submits a complete and accurate Student Aid Report, you may decide to make adjustments or other changes, as described in this section.

PAYMENT OPTIONS

Payment based on official SAI and FC

Payment must be based on the student's official SAI (for a Pell Grant) and FC (for campus-based and GSL aid). Some need analysis servicers will calculate an estimated figure if the student's information is incomplete — no payment may be made based on an estimated SAI or FC.

Corrections

The Federal processing system does not calculate estimated figures. Instead, the Federal processor sends a "rejected" Student Aid Report (with no SAI or FC) if the student has not provided enough information to calculate these figures. If an SAI and FC have been printed on the Student Aid Report, they are always "official" figures that may be used for payment. However, this does not automatically mean that the SAI and FC are correct. The student's information may be complete and consistent, and still be wrong. The student should review the information on the Student Aid Report or other output document carefully, and correct any mistakes. If the SAI and FC have an asterisk (*) beside them, it means the student has been selected for verification. The student cannot be paid based on the SAI or the FC until certain information has been verified. (See the *1988-89 Verification Guide* for further details and exceptions.)

For the campus-based and GSL programs, you may pay the student based on an official FC. All certified need analysis servicers are calculating official FCs for students who have provided sufficient information. Schools and non-certified need analysis servicers can also produce official FCs, by precisely following the steps in the *Congressional Methodology, 1988-89*.

Calculating official FCs at the school

If the student has not provided enough information to calculate an FC, you may either have the student provide the information to your need analysis servicer to have the official FC calculated, or calculate the FC at your school, based on the student's complete and correct information. In any case, the changes do not have to be transmitted back to the Federal processor if you are only making campus-based payments, or certifying a GSL.

Valid SAR needed for Pell Grant

For the Pell Grant Program, the student must always submit a valid Student Aid Report for payment. This means that if the student's information on the Student Aid Report is incorrect or incomplete, the student has to go back through the system to get a valid Report. Although the aid administrator has much more flexibility in dealing with the SAI than in past years, it is still necessary to transmit changes back to either the Federal processing system or the Pell Grant Disbursement System, as we will describe shortly.

FIRST PAYMENT OPTION (AND RECALCULATIONS)

Official SAI and information needed

A school has the option of making a first Pell Grant payment to an eligible student before the student has submitted the valid Student Aid Report (SAR) to the school. To use this option, the school must have received the student's official SAI and application information. The official SAI must be from an MDE or from the Federal processing center, either printed on an output document such as the SAR or on a full data tape (for schools that use the tape exchange system).

Once the "first payment" option has been used, no further payments can be made to the student until the student submits a valid SAR to the school. In addition, the school and the student are liable for the first payment if the student does not submit a valid SAR within the established deadlines. The school and the student are also liable for the amount of any overpayment that cannot be adjusted in subsequent Pell Grant payments in the award year.

The first payment option is useful if the student has not yet received the SAR, but your school has received the official SAI and application information for a student, either from an MDE or on the full data tape. You may pay the student based on that information, without waiting for the student to receive the SAR.

Recalculations

This option can also be used to make a first payment to a student who needs to make corrections. If you have received the student's information from an MDE, or on the SAR or full data tape, and you find that the student needs to correct the information, you may recalculate the SAI at your school and make a first payment based on that recalculation. Remember that you may only recalculate the SAI if you have already received the student's *official* SAI and application information — you may not recalculate based on an estimated SAI. Any time you make a first payment based on your recalculation of the SAI, you must submit the student's SAR for reprocessing. You may not make the corrections on Part 3 of the SAR or on the full data tape.

Report recalculation in School Use box

When reporting a recalculated SAI, use part 2 of the SAR to correct the student's information just as the student would for any history correction. The student must sign the certification which states that the corrections are accurate. In addition, you must report the recalculated SAI in the "School Use Only" box on the back of Part 2 of the SAR, fill in the name, address, and Pell Institution number of your school, and sign on the designated signature line. The recalculation must be based solely on the correct information reported by the student in accordance with the instructions on the application.

Example of "School Use Only" box for recalculations.

School Use Only

FAA Recalculated SAI ☐☐☐☐☐	FAA SAI Adjustment ☐☐☐☐☐ Type: Parental Cont. ☐ Projected Yr. Data ☐ Formula ☐ Data Element ☐ Product ☐	SAI Calculation Requested Projected Yr. Data ☐ Data Element Change ☐ Secondary SAI Requested ☐

Pell Inst. No. ☐☐☐☐☐☐☐ FAA Signature ____________

Restrictions

There are several situations in which the option of making a first payment cannot be used:

> ***Change in dependency status.*** If the student's dependency status changes, the student must submit an entirely new application (the Correction Application) which shows parental information as well as student information, and the school should base payment upon the SAI derived from the Correction Application.
>
> ***Rejected SAR.*** No payment may be made based on a rejected SAR. The information on a rejected SAR is incomplete and the SAR does not provide a calculated SAI for the student.
>
> ***Estimated SAI.*** No payment may be made based on an estimated SAI from an MDE or other need analysis servicer.
>
> ***Documentation required for independent status.*** If a student is independent based on one of the categories that require documentation, no payment may be made to the student until the documentation is provided. (See Section One.)

Recalculations vs. adjustments

The main advantage of the first payment option is that it enables you to pay the student as soon as you have the complete and correct information, even if a recalculation is required. Unlike an *adjustment*, a *recalculation* does not change the way the student's SAI is calculated, it merely corrects misreported information or keypunch errors. For instance, an aid administrator may *recalculate* the SAI when the student reviews the Student Aid Report and finds that parental income was inadvertently reported as $19,000 when it should have been $9,000. On the other hand, if the aid administrator discovers that the parental income for 1987 was reported correctly, but that the parent is now unemployed, the aid administrator may *adjust* the parental contribution to take into account this loss of income.

ADJUSTMENTS

Beginning with the 1988-89 award year, financial aid administrators have the authority to make adjustments to the Student Aid Index as well as the Family Contribution. This represents one of the two major changes to the processing system for this year, along with the use of the simplified needs test.

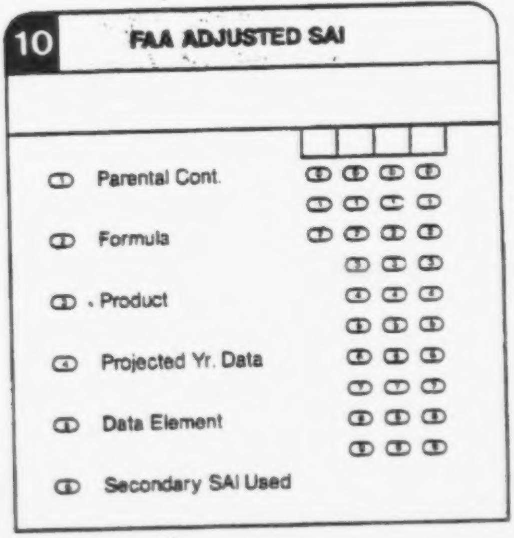
Use correct information

Note that adjustments must be based on the student's correct information. For instance, if the student is being verified (or there is an apparent inconsistency in the student's information), the school must collect the required documentation before making the adjustment. The adjustments must be made on an individual basis, and must be documented in the student's file, based on the individual student's circumstances.

Use Part 3 to report adjustments

If you are making an adjustment to a student's data, and the student has an SAR with an eligible SAI, use the Payment Document (Part 3) to report the change. For instance, if the student has an SAI of 1200, but you make an adjustment to the parental contribution that results in an SAI of 1500, you fill in Item 10 on the Payment Document, and fill in the box for "Parental Cont."

There are five types of adjustments listed in Item 10. (The last box is for the school to request that the secondary SAI be used, which we will discuss in a moment.) Some adjustments will fall into more than one category. For instance, an adjustment that uses "projected year data" is also a "data element change." You should choose the most specific category that describes the adjustment.



10 FAA ADJUSTED SAI

○ Parental Cont.
○ Formula
○ Product
○ Projected Yr. Data
○ Data Element
○ Secondary SAI Used

Parental Contribution: any adjustment that involves a parental contribution, whether modifying or removing a parental contribution for a dependent student, or adding a parental contribution for an independent student.

Formula: an adjustment to the assessment rates, offsets, reserves, or any of the intermediate calculations used in the Pell Grant formula, such as the multiple student adjustment.

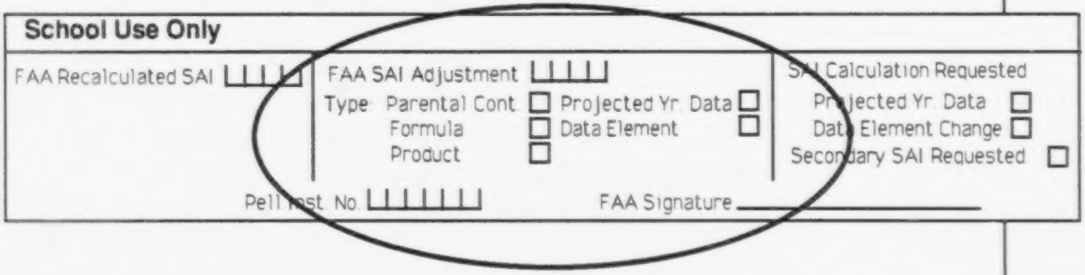
Product: an adjustment to the Student Aid Index itself.

Projected year data: an adjustment that substitutes projected year information for the information that the student reported on the application.

Data element change: any adjustment that changes the information that the student is required to report on the application.

Use Part 2 of the SAR to adjust an ineligible SAI

If the information on the student's application produced an ineligible SAI, the student will only receive the first two parts of the SAR, without the Payment Document. Therefore, if you want to report an adjustment for that student, you will have to use the "School Use Only" box on Part 2 of the SAR. On an SAR for an ineligible student, the School Use box will have the center section for an "FAA SAI Adjustment," with the same five types of adjustments listed on the Payment Document:



School Use Only

FAA Recalculated SAI

FAA SAI Adjustment

Type: Parental Cont. ☐ Projected Yr. Data ☐
Formula ☐ Data Element ☐
Product ☐

SAI Calculation Requested
Projected Yr. Data ☐
Data Element Change ☐
Secondary SAI Requested ☐

Pell Inst. No.

FAA Signature ____________________

"First Payment" Option

As is the case with recalculations, you may make a first payment to the student based on your adjustments to Part 2 of the SAR before receiving the reprocessed SAR with Payment Document. However, the school and the student are liable for the payment if the student does not submit the valid SAR within the established deadlines.

Remember that if you adjust the SAI and the student becomes ineligible, you do not have to report the change back to the Federal processing system. However, you must document in the student's file why the student was not paid, if the student had an eligible SAI before the adjustment.

Calculation Request

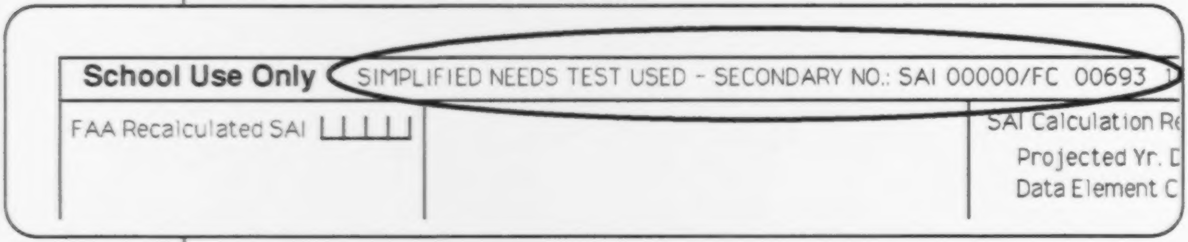
There are two cases in which you can request that the Federal processor calculate the a new SAI based on your adjustments: when you substitute projected year data, or otherwise modify a data element. To do this, make the adjustments to the appropriate line items on Part 2 of the SAR, and complete the School Use Only box, checking the reason for the calculation request. If you are using projected year data (1988), enter that information on the relevant line items for 1987 data. (Note that the processor cannot calculate a change based on information that is not normally a part of the Pell Grant formula. For this reason, you cannot request a processor calculation when you adjust the formula, or include a Parental Contribution for an independent student.)

Ordinarily, any adjustments to the FC are made at the school, or by the school's need analysis servicer. The FC adjustment does not need to be reported to the Federal processor. You cannot request a calculation of the FC by itself. The Federal processor will calculate a new FC if you have requested a new SAI calculation for either of the two reasons described above.

USING THE SECONDARY SAI

If the student qualifies for the simplified needs test, the simplified SAI will always be the primary SAI, and will be printed on the front of Part 1 of the SAR.

There may be occasions where you would prefer to use the secondary SAI calculated using the regular formula. The regular formula includes offsets for medical/dental expenses and elementary/secondary tuition paid, so if the student's family has these expenses, the secondary SAI may be a more favorable assessment. The secondary SAI wili be printed at the top of the "School Use Only" box.



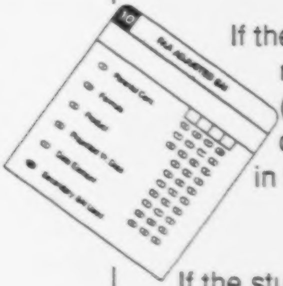
School Use Only SIMPLIFIED NEEDS TEST USED - SECONDARY NO.: SAI 00000/FC 00693

FAA Recalculated SAI

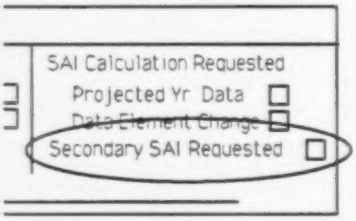
SAI Calculation R

Projected Yr. D

Data Element C



If the simplified needs test results in an eligible SAI, the student will receive the full 3-part SAR that includes the Payment Document (Part 3). To switch to the secondary SAI, simply mark "Secondary SAI Used" in Item 10 of the Payment Document. (Don't fill in the actual number.)



SAI Calculation Requested

Projected Yr Data ☐

Data Element Change ☐

Secondary SAI Requested ☐

Requesting a Secondary SAI

If the student was ineligible using the simplified needs test, the student only receives the first two parts of the SAR, and you will have to use "School Use Only" box on Part 2 of the SAR to request the change. Again, you may make a first payment to the student based on the secondary SAI before receiving the reprocessed SAR with Payment Document. However, the school and the student are liable for the payment if the student does not submit the valid SAR within the established deadlines.

FEEDBACK

The processing system will identify student information that has been changed by a financial aid administrator, both on the SAR itself, and on other documents sent to the school. This will be helpful if the student has submitted more than one application. In particular, you will need to know if a transfer student's information has been changed by a financial aid administrator at another school.

More than one applicaton

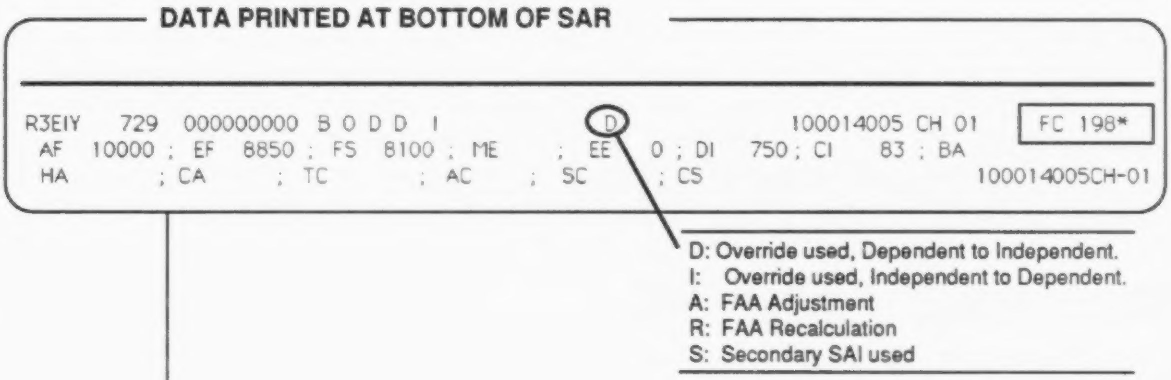
For instance, it is possible that a student will submit applications both as a dependent and as an independent student during the same award year. This will usually happen where the student sends an application as a dependent student, and the financial aid administrator later determines that the student should be considered an independent student due to unusual circumstances and has the student fill out a Correction Application. (Beginning in the 1988-89 award year, it is also possible that the financial aid administrator may be required to override an independent student's status to make the student dependent, as described in Section Two.) The processing system will accept both applications, and produce valid SARs for both situations.

Use SAR with correct dependency status

You should be careful that the same information is used for the student for that period of enrollment. Only one of the SARs can be submitted for a single period of enrollment for Pell Grant payments, and the dependency status on that SAR must match the dependency status in the school's records for that student. In addition, any corrections made to the SAR information must be made on Part 2 of the SAR *with the correct dependency status*. Also bear in mind that a new student may have applied to other schools as well as your own, and may present an SAR that is the result of a dependency override at one of those schools. Before you pay the student based on that SAR, you must determine whether the student would be considered independent at your school, and document that decision in the student's file.

Dependency overrides

The processing system will identify an SAR that is the result of a dependency override by printing a comment in the eligibility letter to the student (Part 1). In addition, the letter "D" or "I" will be printed below the bold line at the bottom of Parts 1 and 2 of the SAR, in the middle of the first row of data. "D" is used for students whose status was originally dependent, but has been changed to independent by the override. "I" is used when the financial aid administrator changes the student's status from independent to dependent because the student was claimed as an income tax exemption in the 1987 tax year (see discussion under "independent student" in Section Two).*



DATA PRINTED AT BOTTOM OF SAR

```
R3EIY    729   000000000  B O D D  I              D                100014005 CH 01     FC 198*
 AF   10000 ;  EF   8850 ;  FS   8100 ;  ME       ;  EE    0 ; DI    750 ; CI     83 ; BA
 HA         ; CA        ;  TC          ;  AC      ;  SC      ; CS                      100014005CH-01
```

D: Override used, Dependent to Independent.
I: Override used, Independent to Dependent.
A: FAA Adjustment
R: FAA Recalculation
S: Secondary SAI used

The name of the school that entered the override code will appear in the "College Name" field on Part 1 and Part 2 of the SAR. The school of record will also receive notification that the dependency status override has been used, either on the hard copy roster, abbreviated data tape, or the full data tape.

Recalculations

An SAR that has been reprocessed based on a financial aid administrator's recalculation of the SAI will have a comment to that effect under the heading "Instructions" on Part 1 of the SAR. The SAR will also have an "R" printed in the middle of the first printed line under the bold line at the bottom of Parts 1 and 2. Cumulative "confirmation reports" will be sent on a monthly basis to schools that submit recalculated SAIs, identifying the student by name, address, and social security number, and giving the transaction number, the process date, and the SAIs recalculated by the school and by the processing system. Notification of recalculation is also given on the hard-copy roster, abbreviated data tape, and the full data tape, for schools receiving rosters and tapes. You must resolve any discrepancies between an SAI that you calculated and the SAI calculated by the Pell Grant central processor to ensure that the same data was used to calculate the SAI. (See the January 1988 "Dear Colleague" letter P-88-2 if your school uses rosters and tapes.)

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* If the change was made by a financial aid administrator at a school that does not participate in the Pell Grant Program, "E" will appear instead of "D" and "F" will appear instead of "I."

Adjustments

If an adjustment was made to Part 2 of an ineligible student's Student Aid Report, Part 1 of the reprocessed SAR will include a comment noting that the Student Aid Index has been adjusted by the financial aid administrator. The letter "A" for "adjusted," will be printed at the bottom of the first page.* If a transfer student presents a Student Aid Report with an adjusted SAI, you must decide whether to make the same adjustment (or any adjustments) at your school. If you agree with the previous adjustment, you may pay the student based on that Student Aid Report, after documenting the reasons for your decision in the student's file. If you disagree with the previous adjustment, the student must either submit the previous Student Aid Report (before the SAI was adjusted) to you, or make corrections to the current Student Aid Report and send it back to the Federal processor.

Secondary SAI

If you have requested a Student Aid Report using the Secondary SAI, the Part 1 of the Report will have a comment to that effect. An "S" will be printed on the reprocessed SAR (if the change was made on Part 2 of the SAR).*

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* Note that if the financial aid administrator uses Item #10 on the Payment Document to make an adjustment or to request a secondary SAI, the processing system will not send back a complete, reprocessed SAR. The school will receive a Processed Payment Document (Part 3 only) as a part of its Batch Report from the Pell Grant Disbursement System. See Section Seven of Chapter Four for more information about how Pell Grant payment information is reported.

PUTTING IT ALL TOGETHER

The procedures for reporting each of the types of changes we have discussed — dependency overrides, first payments and recalculations, adjustments, and use of the secondary SAI — are fairly straightforward. When more than one of these changes applies, it can get a little confusing.

Perhaps the simplest way to think about the processing system is to think in terms of the Student Aid Report (see the diagram on the following pages). You must submit a Payment Document (Part 3 of the SAR) to the Pell Grant Disbursement System for each student that you pay a Pell Grant. Keeping that in mind, let's review the possible actions with each type of Student Aid Report.

Void SAR

If the student receives a "void" SAR, no further action is necessary. The student already has an application on record, and any changes should be made to the SAR from that transaction (or on a Correction Application, for changes in dependency status). Note that if the student has lost the SAR, he or she should request a duplicate by calling or writing the Federal processing center in Iowa, rather than filling out a new application.

Reject SAR

If the student receives a rejected SAR (a SAR with no SAI), the student must correct the information using either Part 2 of that SAR or a Correction Application. The comments on Part 1 of the SAR will advise the student how to proceed. Note that you *may not* make an adjustment, request a secondary SAI, or use the first payment option based on a rejected SAR. The student must first correct the data so that an official SAI (whether eligible or ineligible) can be calculated by the Federal processor.

Ineligible SAR

If the student has an official SAI but is ineligible, the student will only receive Parts 1 and 2 of the SAR. If the student needs to make corrections, he or she must use Part 2 of the SAR. If you want to make a change (recalculation, adjustment, or secondary SAI) that will result in an eligible SAI, you must use the "School Use Box" on Part 2 of the SAR.

Eligible SAR

If the student has an official, eligible SAI, the student will receive all three parts of the SAR. The student still makes any necessary corrections on Part 2 of the SAR, and any school recalculations are reported in the "School Use Box." The Federal processing system will produce a new SAR based on the corrections/recalculation. If you decide to adjust the SAI or use the secondary SAI, you must report the change in Item 10 on the Payment Document, which is sent directly to the Pell Grant Disbursement System. Changes reported in Item 10 will be reflected on the processed Payment Document you receive back from the Disbursement System (see Section Seven of the Pell Grant Chapter).

Combinations

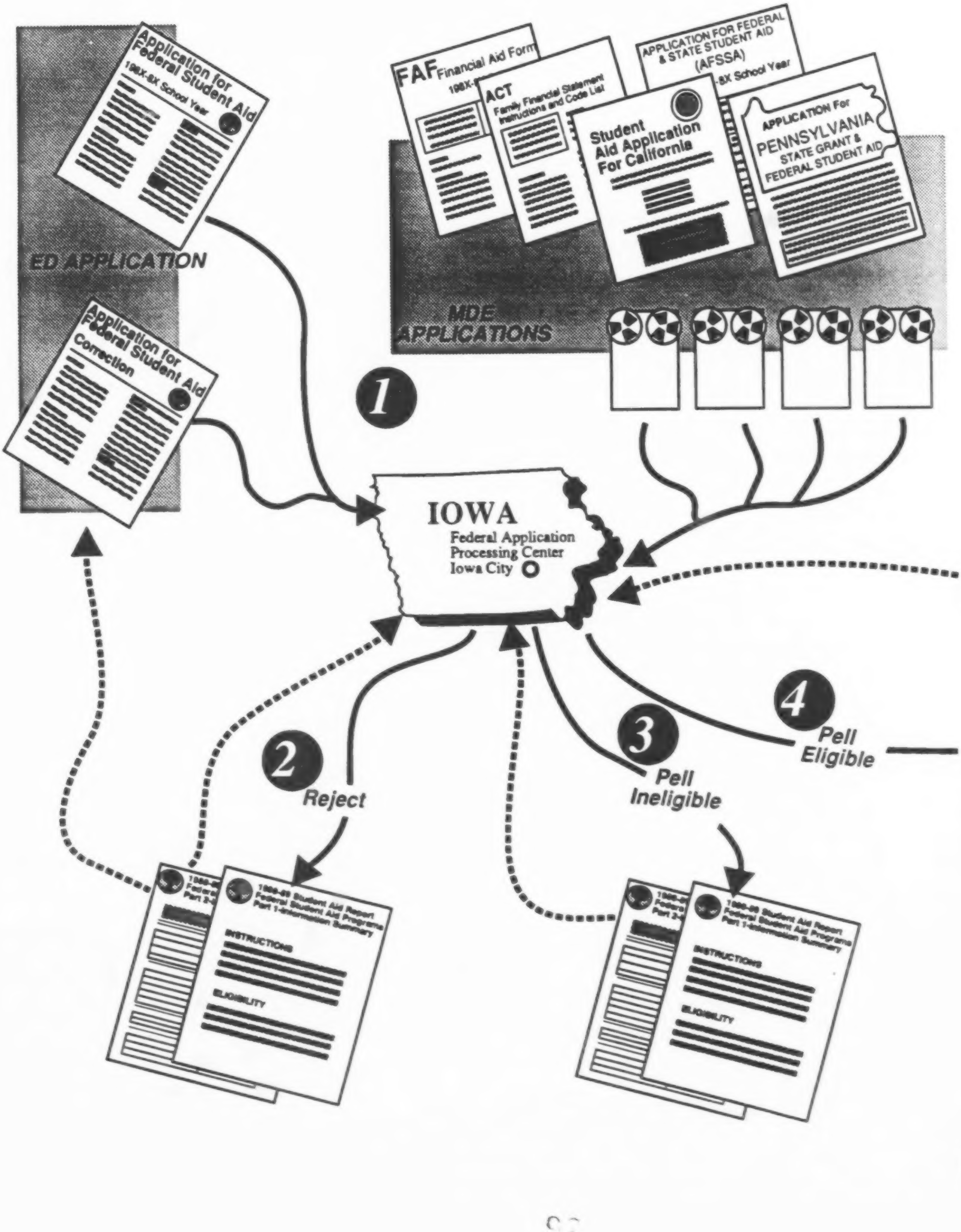
In some cases, you will want to make more than one kind of change for the same student. The two most likely situations involve corrections and adjustments, and adjustments and the dependency override.

Corrections and adjustments

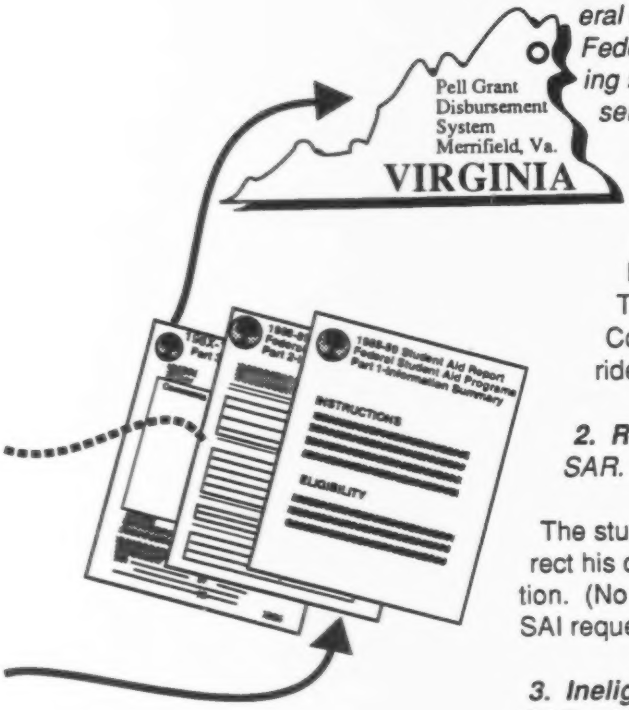
If you find that corrections need to be made to an official SAI, and you also want to make an adjustment, you may make both changes on the SAR at the same time. First document the correct information, then make any adjustments. The Federal processing system will identify the changes as an adjustment.

Dependency overrides and adjustments

If you decide to use the dependency override and also want to adjust the student's information, you must first have the student submit a Correction Application, and then make the adjustment to the Student Aid Report that has the student's correct dependency status.


Application for Federal Student Aid
198X-8X School Year
ED APPLICATION
Application for Federal Student Aid
Correction
FAF Financial Aid Form
198X-
ACT
Family Financial Statement Instructions and Code List
APPLICATION FOR FEDERAL & STATE STUDENT AID
(AFSSA)
-8X School Year
Student Aid Application For California
APPLICATION For
PENNSYLVANIA
STATE GRANT & FEDERAL STUDENT AID
MDE APPLICATIONS
1
IOWA
Federal Application Processing Center
Iowa City
2
Reject
3
Pell Ineligible
4
Pell Eligible
Student Aid Report
Federal Student Aid Programs
Part 1-Information Summary
INSTRUCTIONS
ELIGIBILITY
Student Aid Report
Federal Student Aid Programs
Part 1-Information Summary
INSTRUCTIONS
ELIGIBILITY

DOCUMENT FLOW IN THE FEDERAL PROCESSING SYSTEM


Pell Grant
Disbursement
System
Merrifield, Va.
VIRGINIA
1988-89 Student Aid Report
Federal Student Aid Programs
Part 1-Information Summary
INSTRUCTIONS
ELIGIBILITY

1. Application. *Student information from the Federal or MDE applications is transmitted to the Federal processing system. The Federal processing system generates a Student Aid Report and sends it to the student's address.*

Note that only the initial MDE transaction is sent to the Federal processing system. Any changes to the original MDE information must be made on the SAR or Correction Application. The financial aid administrator (FAA) uses the Correction Application for any dependency overrides.

2. Reject SAR. *The student receives a two-part SAR.*

The student must either use Part 2 of the SAR to correct his or her information, or file a Correction Application. (No FAA recalculations, adjustments or secondary SAI requests may be made based on a reject SAR.)

3. Ineligible SAR. *The student receives a two-part SAR, without the Payment Document.*

Student uses Part 2 of the SAR for any necessary corrections. FAA makes any adjustments, recalculations, or secondary SAI requests in the "School Use Box."

4. Eligible SAR*. The student receives a three-part SAR.*

Any corrections must be made on Part 2. FAA recalculations are reported in "School Use Box."

FAA makes any adjustments or secondary SAI requests on Part 3 of the SAR, which is sent to Pell Grant Disbursement System in Merrifield, VA. (See Section 7 of the Pell Grant Chapter for further information on the Disbursement System.)

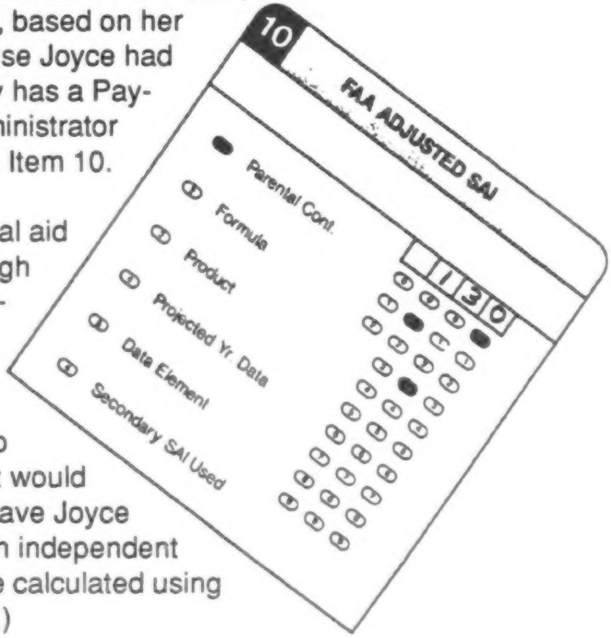
The following are four examples of how changes made by the financial aid administrator should be reported, using the Student Aid Report or a Correction Application. Note that the changes themselves are entirely within the discretion of the financial aid administrator — these are only examples of some of the ways that professional judgement might be used to modify the student's need analysis.

EXAMPLE 1

Joyce B. plans to attend Magnolia Junior College. She fills out an MDE application as a dependent student, because her mother claimed her as a tax exemption in 1986. Based largely on her mother's untaxed income, Joyce's SAI was 960.

However, the financial aid administrator discovers in a conference with Joyce that her mother has recently been hospitalized for a chronic medical condition and will be unable to contribute to Joyce's education because of her own medical expenses. Therefore, the aid administrator decides to remove the Parental Contribution, leaving Joyce with an SAI of 130, based on her own income and savings. Because Joyce had an eligible SAI (960), she already has a Payment Document, and the aid administrator can report the change directly on Item 10.

(Note that in this case the financial aid administrator decided that although Joyce was still in a dependent relationship with her mother, the calculated parental contribution was unreasonable. If the aid administrator had decided that no dependent relationship existed, it would have been more appropriate to have Joyce file a Correction Application as an independent student, so that her SAI would be calculated using the independent student formula.)

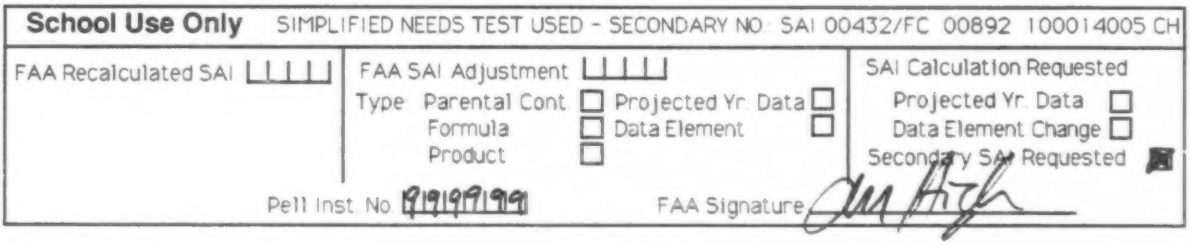


EXAMPLE 2

Dave R. applies to Fibonacci Technical Institute, using the Federal application. Dave is an independent student (24 years old) who earned $11,000 last year and filed a 1040EZ. He has since been laid off from work and wants to go back to school to get a degree in the culinary arts. He only expects to earn $4,000 working part-time during 1988.

His Student Aid Index is 3500, based on the simplified needs test, which uses his base year income of $11,000. However, Dave also filled out the "Supplementary Information" section as well as the basic questions, and as a result a secondary SAI was printed in the "School Use Only" box. Because Dave is a dislocated worker, his secondary SAI is based on his expected year income, and is much lower (432).

The financial aid administrator decides that the secondary SAI is a more accurate assessment of Dave's financial situation than the primary SAI. Because Dave had an ineligible primary SAI, he only received Parts 1 and 2 of the Student Aid Report. The financial aid administrator checks "Secondary SAI requested" in the "School Use Only" box, fills in the school's Pell ID number and signs his name, and mails Part 2 of the Student Aid Report back to the Federal processing center in Iowa.



School Use Only SIMPLIFIED NEEDS TEST USED - SECONDARY NO.: SAI 00432/FC 00892 100014005 CH

FAA Recalculated SAI

FAA SAI Adjustment

Type: Parental Cont. ☐ Projected Yr. Data ☐

Formula ☐ Data Element ☐

Product ☐

SAI Calculation Requested

Projected Yr. Data ☐

Data Element Change ☐

Secondary SAI Requested ☒

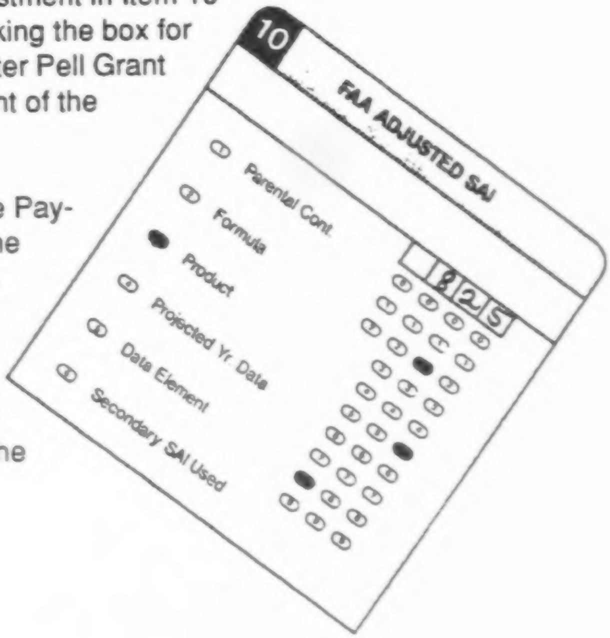
Pell Inst. No. 999999

FAA Signature

EXAMPLE 3

Lynn T. applies for aid at Mineral University, and is awarded the maximum Pell Grant ($2200) and a GSL ($2625). Mineral is a state-supported school, and Lynn's total cost of attendance is $6,000. Later in the first semester she receives a $2,000 music scholarship from the Mineral City Arts Association because of her proficiency on the tuba.

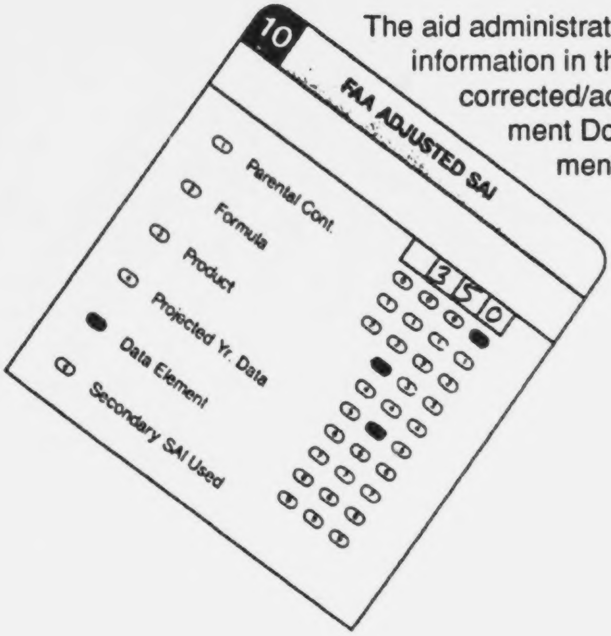
Since Lynn's total aid exceeds her costs by $825, the financial aid administrator at Mineral decides to reduce the Pell Grant by adjusting the Student Aid Index from 0 to 825 to take into account the available scholarship. Based on an SAI of 825, Lynn's Pell Grant will be $1350 instead of $2200, giving her a total aid package of $5975. The financial aid administrator reports the adjustment in Item 10 on the Payment Document, checking the box for "Product." Lynn's second semester Pell Grant payment is reduced by the amount of the adjustment.



Note that, because of the way the Payment Schedule is incremented, the change in the SAI will not always produce the same change in the Pell award. You may decide how close an approximation is sufficient, if you wish to make an adjustment to take into account the student's resources.

EXAMPLE 4

Molly C. submits a Student Aid Report with an SAI of 750 to Sugar Hollow Community College. In the course of verification, the financial aid administrator discovers that Molly forgot to report $2,000 of untaxed retirement income received by her father in 1987. In addition, the financial aid administrator decides to adjust the contribution from assets for the family's home. (It is unlikely that Molly's parents would be able to borrow against the home based on their present income — they were able to buy the home 30 years ago at a fraction of its present worth.) Based on the correct income information and the reduced asset contribution, Molly's recalculated and adjusted SAI is 350.


10
FAA ADJUSTED SAI
Parental Cont.
Formula
Product
Projected Yr. Data
Data Element
Secondary SAI Used
350

The aid administrator documents the correct income information in the student's file, and reports the corrected/adjusted SAI in Item 10 on the Payment Document, identified as a "data element" change.

SECTION FOUR: INSTITUTIONAL ELIGIBILITY AND CERTIFICATION

This section will discuss the four types of institutions that are eligible to participate in the OSFA programs. It will also describe the procedures for a school to apply for participation in the OSFA programs through the Division of Eligibility and Certification (DEC). Special institutional circumstances, such as loss of eligibility and change of ownership, are discussed in Section Seven.

Note that, although the eligibility criteria defined for each of the four types of institutions listed below differ somewhat, these types of schools are not mutually exclusive. For example, a school that meets the definition of a Vocational School is only eligible to participate in the GSL/SLS/PLUS programs. However, if that school also meets one of the other institutional definitions, then it would be eligible to participate in the other OSFA programs.

THE FOUR DEFINITIONS OF ELIGIBLE INSTITUTIONS

The Institutional Eligibility regulations (CFR Part 600, published on April 5, 1988) define four types of eligible institutions, as shown on the following pages. The regulatory definitions are based on definitions found in the Higher Education Act. The definitions have a number of common elements, in particular, minimum program length, admissions standards, degree or certificate programs, and accreditation. Some of the key terms and variations between the definitions are discussed below, with special attention to those requirements that affect the definition of an eligible program.

✓ '88
Eligibility
Reg
(CFR 600)

Definitions now appear in eligibility regulations

One of the important differences in these four definitions is the minimum program length at the school. An *institution of higher education* must have a degree or certificate program of at least one year's duration to be eligible, while the minimum program length for a *proprietary institution* or a *postsecondary vocational institution* is six months. However, most schools which meet the definition of an institution of higher education also meet the definition for a postsecondary vocational institution. For most schools, then, the minimum program length is six months. The definition

Program length

Program length (cont'd)

for a vocational school (which is only eligible for the GSL, SLS, and PLUS programs) has an even shorter program length: the equivalent of three months of instruction. Note that the statutory definitions state that a school must provide ***a*** program of a given length to be eligible, which means that at least one of the programs at the school must meet the minimum.

The concept of minimum program length is not only important for institutional eligibility, but also applies to ***program eligibility***. This means that a student might be enrolled at an eligible school that has a one-year program, but the program the student is enrolled in might be ineligible because it is only three months long. The criteria for an eligible program are discussed in Section One.

A one-year program is defined as at least 24 semester or trimester hours or 36 quarter hours at a school that uses credit hours, 900 clock hours of supervised training at a clock hour school, or 900 clock hours of preparation in a correspondence program. The phrase "one-year program" is based on the concept of a traditional academic year, which is generally eight to nine months long. Thus, the definition of a six-month program is based on 2/3 of the coursework for an academic year. A three-month program for vocational schools (GSL/SLS/PLUS only) must be at least half as long as the minimums given above for a six-month program.*

MINIMUM PROGRAM LENGTH

ONE-YEAR (public private non-profit institution)	SIX-MONTH (proprietary or postsecondary vocational institution)	THREE-MONTH* (vocational school - GSL SLS PLUS only)
24 Semester or Trimester Hours	16 Semester or Trimester Hours	8 Semester or Trimester Hours
36 Quarter Hours	24 Quarter Hours	12 Quarter Hours
900 Clock Hours	600 Clock Hours **	300 Clock Hours

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* A three-month correspondence program must require at least 12 hours of preparation per week over each 12 week period, and completion of a minimum of 300 clock hours in not less than six months.

** The Eligibility regulations (§600.2) make an exception for programs that the Secretary determines are the equivalent of a six-month program.

Ability to benefit

Each definition includes a provision that the institution only admits as regular students (1) persons who have a high school diploma or its recognized equivalent, or (2) who are beyond the age of compulsory school attendance and have the ability to benefit from the training at the school. Note the exception for public or private non-profit institutions which participate only in the GSL/SLS/PLUS programs, and for vocational schools.

Regular student - A regular student is a person who enrolls in an eligible program for the purpose of obtaining a degree or certificate offered by the institution.

The Higher Education Amendments of 1986 defined "ability to benefit" in very specific terms (see Section One). A school must develop and consistently apply criteria for determining "ability to benefit" for all persons admitted as "regular students" without a high school diploma or its equivalent. All regular students at the school who do not have a high school diploma or its equivalent must meet one of the criteria for ability to benefit, whether or not they receive OSFA aid. (See Section One of this chapter for the specific criteria.) This means that a school must have a written policy that it applies consistently to determine the if the student has the ability to benefit. The school must be able to document that a regular student without a high school diploma or recognized equivalent satisfied one of the "ability to benefit" criteria. Failure to keep this documentation could jeopardize the program's participation in the OSFA programs and lead to the repayment of all OSFA funds that were awarded to students in that program while it was ineligible.

Recognized Equivalent of a High School Diploma - Either a General Education Development Certificate (GED) or a State certificate received after a student has passed a State-authorized examination that the State recognizes as the equivalent of a high school diploma.

Accreditation

Generally, an institution must be accredited by a nationally recognized accrediting agency to be eligible. The definitions for an institution of higher education, vocational school, and postsecondary vocational institution also include public postsecondary vocational institutions that have been approved by a State agency listed by the Department of Education. The definitions for a proprietary institution, vocational school, and postsecondary vocational institution require that such an institution have provided instruction (and been legally authorized to provide postsecondary instruction) for at least two years.

Nationally Recognized Accrediting Agency - An accrediting agency or association which the Secretary of Education determines to be a reliable authority on the quality of training offered by educational institutions.

Two-year rule

INSTITUTION OF HIGHER EDUCATION*

(eligible for all OSFA programs)

Control: A public or non-profit institution located in a State.

Admissions: Admits as regular students only persons with a high school diploma or its recognized equivalent, or persons beyond the age of compulsory school attendance in the State where the institution is located who have the ability to benefit from the training offered**.

Legal authorization: Is legally authorized, in the State where it offers postsecondary education, to provide a postsecondary educational program.

Program offered: Provides an associate, baccalaureate, graduate, or professional degree (or other recognized educational credential), or at least a two-year program that is acceptable for full credit toward a bachelor's degree, or at least a one-year educational program that leads to a degree or certificate (or other recognized educational credential) and prepares students for gainful employment in a recognized occupation.

Accreditation: Is accredited by a nationally recognized accrediting agency, or has fulfilled one of the statutory alternatives to accreditation.

PROPRIETARY INSTITUTION OF HIGHER EDUCATION

(eligible for all OSFA programs except GSL/SLS/PLUS)

Control: An institution other than a public or non-profit institution, located in a State.

Admissions: Admits as regular students only persons with a high school diploma or its recognized equivalent, or persons beyond the age of compulsory school attendance in the State where the institution is located who have the ability to benefit from the training offered.

Legal authorization: Is legally authorized, by the State where it offers postsecondary education, to provide a postsecondary educational program.

Program offered: Provides at least a six-month program of training leading to a degree or certificate (or other recognized educational credential), that prepares students for employment in a recognized occupation.

Accreditation: Is accredited by a nationally recognized accrediting agency.

Two-year rule: Has been legally authorized to give (and has been giving) postsecondary instruction for at least two years.

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*For GSL/SLS/PLUS only, this definition includes a hospital or health care facility which offers a one-year degree or certificate program for graduates of accredited health professions programs.

**A student attending an institution of higher education that only participates in the GSL/SLS/PLUS Programs must be beyond the age of compulsory school attendance, but does not have to demonstrate the ability to benefit.

POSTSECONDARY VOCATIONAL INSTITUTION (eligible for all OSFA programs except GSL/SLS/PLUS)	VOCATIONAL SCHOOL (eligible for GSL/SLS/PLUS only)
Control: A public or private nonprofit institution located in a State.	***Control:*** A business or trade school, technical institution, or other technical or vocational school, which may be public, non-profit, or for-profit, that is located in a State.
Admissions: Admits as regular students only persons with a high school diploma or its recognized equivalent, or persons beyond the age of compulsory school attendance in the State where the institution is located who have the ability to benefit from the training offered.	***Admissions:*** Admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit from the training offered.
Legal authorization: Is legally authorized, by the State where it offers postsecondary education, to provide a postsecondary educational program.	***Legal authorization:*** Is legally authorized, by each State where it offers postsecondary education, to provide a program of postsecondary vocational or technical education.
Program offered: Provides at least a six-month program leading to a degree or certificate (or other recognized educational credential), that prepares students for employment in a recognized occupation.	***Program offered:*** Provides a post-secondary educational program of at least 300 clock hours (or 8 semester or trimester hours, or 12 quarter hours) that is designed to provide occupational skills to prepare students for employment in a recognized occupation. Correspondence programs must require at least 12 hours of preparation per week over each twelve-week period and completion of a minimum of 300 clock hours in not less than six months.
Accreditation: Is accredited by a nationally recognized accrediting agency, or has fulfilled one of the statutory alternatives to accreditation.	***Accreditation:*** Is accredited by a nationally recognized accrediting agency, or is a public postsecondary vocational institution approved by a State agency listed by the Department of Education.
Two-year Rule: Has been legally authorized to give (and has been giving) postsecondary instruction for at least two years.	***Two-year Rule:*** Has been authorized to give (and has been giving) instruction for at least two years. (The Department may make exceptions under 600.7(a)(5)(ii).)

Statutory alternatives to accreditation

There are three statutory alternatives available to unaccredited public or non-profit institutions that are applying for eligibility as Institutions of Higher Education or Postsecondary Vocational Institutions. They are:

1. ***Satisfactory assurance***. The Secretary determines that an institution of higher education or a postsecondary vocational school provides satisfactory assurance of accreditation if it is accorded pre-accredited status (candidacy status) by a nationally recognized accrediting agency. Under this procedure, the accrediting agency or association determines whether the unaccredited institution will meet its standards for accreditation within a reasonable period of time. If the accrediting agency or association so decides, it awards that institution pre-accredited status.

2. ***Transfer of Credit.*** The institution must demonstrate that its credits are accepted on transfer by not less than three institutions which are accredited by nationally recognized accrediting agencies, and that these credits are accepted on the same basis as if transferred from an institution so accredited.

3. ***State approval.*** A public postsecondary vocational institution is eligible if it has been approved by a State agency that has been listed by the Department of Education in the **Federal Register** as a reliable authority on the quality of public postsecondary vocational education in the State.

Schools wishing to apply under these procedures should contact DEC for further information.

Foreign schools (GSL/SLS/PLUS only)

Foreign schools are eligible to participate in the GSL/SLS/PLUS programs if they are comparable to an institution of higher education or a vocational school, as defined above (also see Chapter Nine). The Higher Education Amendments of 1986 added an eligibility requirement for foreign medical schools: at least 60 % of the students enrolled in the school must be nationals of the country in which the school is located. A school not meeting the 60% requirement can still be eligible if not less than 45% of the U.S. nationals attending or having graduated from the school pass the examination given by the Educational Commission for Foreign Medical Graduates (ECFMG) during 1987 and 1988, and in subsequent years not less than 50% pass the ECFMG examination.

APPLYING FOR ELIGIBILITY

If a school believes it is eligible to participate in the OSFA programs, based on one or more of the institutional definitions given at the beginning of this section, it should apply for eligibility from the Division of Eligibility and Certification (DEC). In the past, there were two separate steps for a school to begin participating in the OSFA programs. The first step was the eligibility process, which evaluated a school's eligibility to participate in all programs under the Higher Education Act, based on the four institutional definitions. The second step was the certification process, which evaluated the school's financial responsibility and its capability to administer the OSFA programs in accordance with the program statute and regulations. However, schools may now apply for eligibility and certification at the same time.

ED Forms 1059 and 633, Program Participation Agreement

A school that wishes to apply for eligibility and certification should write to DEC (see Chapter One of this *Handbook* for the address). The school will be sent an ED Form 1059 (Request for Institutional Eligibility for Programs), an ED Form 633 (Application for Certification), and two copies of the Program Participation Agreement from the appropriate office in DEC.*

The school should complete ED Form 1059, the ED Form 633, and the Program Participation Agreement and return them (with the requested financial statements) to the DEC. DEC will evaluate the school's application for eligibility and will confirm it, deny it, or explain what additional information is needed. If the school is eligible, DEC will send it an Eligibility Letter. The school must keep the eligibility letter available for review by Federal auditors and Department of Education officials, including OSFA program review staff. Remember that this is only the first step towards participation in the OSFA programs. The school cannot begin participation until it has been certified and has received a signed Program Participation Agreement.

Program eligibility

A school's eligibility does not necessarily extend to all its programs. An educational program is eligible if it is (1) separately identifiable and leads to a degree or certificate, and (2) meets the requirements for eligibility in one of the four definitions of an eligible institution. The initial eligibility review will identify which portions of the school are eligible and will list them in the Eligibility Letter).

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* This is the application package sent to new schools. Slightly different packages will be sent to previously eligible schools that are changing their name or address, ownership, or their programs.

Note that the school is responsible for ensuring that a program is eligible under current OSFA regulations before it awards OSFA funds to students in that program. The school should review such factors of program eligibility as the length of the program, the program's admissions requirements, and the degree or certificate awarded the student when the program is completed. In addition, the school should make sure that the program is included under the notice of accreditation from a nationally recognized accrediting agency (unless the school is institutionally accredited), and is covered by the State authorization to offer the program, if the State licenses individual programs at postsecondary institutions.

CERTIFICATION

If a school is determined eligible, it must then be certified as administratively capable and financially responsible to participate in the OSFA programs. The standards for administrative capability and financial responsibility are discussed in the next section.

If you submitted the Application for Certification (ED Form 633), both copies of the Program Participation Agreement, and the requested financial statements at the same time as the application for eligibility, these materials will automatically be forwarded to the Institution and Lender Certification Branch (ILCB) within DEC for review.

Scope of the Program Participation Agreement

The Program Participation Agreement is between a school and the Department of Education and covers the school's participation in the following programs: Pell, SEOG, CWS, Perkins, and GSL/PLUS/SLS. The Agreement does not make a school a lender under the GSL/PLUS/SLS programs, nor does it cover participation in the Income Contingent Loan, Byrd Scholarship, or SSIG programs.

Under the Agreement, the school agrees to comply with 34 CFR 668 (the Student Assistance General Provisions); 34 CFR 99 (Family Educational Rights and Privacy Act); 34 CFR 100 and 101 (Civil Rights Requirements); 34 CFR 106 (non-discrimination on the basis of sex); 34 CFR 104 (non-discrimination on the basis of handicap); and 45 CFR 90 (non-discrimination on the basis of age). The school also agrees to comply with the appropriate program regulations.

✓HEA 86

New terms included in the Agreement

Because of several statutory changes that became effective for the 1987-88 award year, all participating schools were required to execute a new Program Participation Agreement by July 1, 1987. Under the new terms, the school agrees —

- not to charge a fee for processing or handling any application, form, or data required to determine the student's eligibility for OSFA funds.
- not to provide a student with any statement or certification that would qualify the student for a loan in excess of the maximum loan amounts for the GSL, SLS, or PLUS programs.
- to inform all eligible borrowers under the GSL, SLS, or PLUS programs of the availability of State grant aid (see Section Three).
- to provide information to prospective students that substantiates any advertisements made by the school regarding job placement rates.

The school must also certify that it has in operation a drug abuse prevention program that is accessible to any officer, employee, or student at the school.

The Agreement automatically terminates when the school is recertified under a new agreement. The Agreement also terminates when the school has a change of ownership that results in a change of control (see Section Seven), terminates the Agreement under a program regulation, or loses eligibility. The loss of eligibility may occur either through formal termination proceedings, or through other means (loss of accreditation, ceasing to provide educational instruction, etc.).

When it receives the Application for Certification, the financial statement, and two copies of the Program Participation Agreement, ILCB evaluates the school's financial responsibility and administrative capability. If the school is applying to participate in the campus-based programs (Perkins, CWS, and SEOG), the Division of Field Operations will conduct an on-site certification review which will be conducted by the appropriate regional office. The ILCB will analyze the findings of that review together with the Application for Certification and the financial statement.

Date of eligibility

If the ILCB determines the school to be administratively capable and financially responsible, it certifies the school and sends it one copy of the Program Participation Agreement, countersigned and dated by the Secretary of Education or his designee. The date the Secretary signs the Agreement is the date a school becomes eligible to participate in the OSFA programs—*not* the date of the Eligibility Letter the school receives from DEC. Financial aid disbursements to students may begin in the payment period (or period of enrollment, for GSL/SLS/PLUS) that the Program Participation Agreement is countersigned by the Secretary.*

The ILCB will notify OSFA's Division of Program Operations and Systems, the regional offices, and State guarantee agencies once the school is certified to participate.

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*This policy became effective March 30, 1981, in accordance with Section 690.7 (a)(1)(ii) of the December 30, 1980 Pell Grant Program Regulations and Section 668.11(d) of the December 31, 1980 Student Assistance General Provisions regulations. March 30, 1981, is the effective date for these two sets of regulations.

SECTION FIVE: ADMINISTRATIVE AND FISCAL STANDARDS

Before a school can enter into a Program Participation Agreement, it must demonstrate that it is financially responsible and administratively capable of providing the education it promises and of properly managing the OSFA programs. To ensure that a school continues to be financially responsible and complies with OSFA program requirements, the school is required to have periodic audits and to keep certain records available for inspection. In addition, there are a number of general administrative requirements that a school must carry out in the areas of student consumer information and privacy of educational records. This section describes the administrative and fiscal standards a school must meet in order to participate in the OSFA programs.

Trusteeship of OSFA funds

All OSFA funds a school receives are held in trust by the school solely for the intended student beneficiaries. A school may contract with a consultant for assistance in administering the OSFA programs. However, the school cannot contract away its trusteeship responsibilities and will be held accountable if the consultant mismanages the programs.

FINANCIAL RESPONSIBILITY

The General Provisions set forth the standards that are used to ascertain the financial responsibility of schools that participate in the OSFA programs (§668.13 of the December 1, 1987 regulations). To be considered financially responsible, a school must be able to —

Standards of financial responsibility

- provide all the services listed in its official publications and statements.
- provide the administrative resources necessary to comply with the OSFA program requirements.
- meet all its financial obligations, which includes making refunds to students (see Section Seven) and repaying any OSFA program liabilities.

A school is *not* considered financially responsible if it has had operating losses or sustained material deficits over its last two fiscal years, a deficit net worth for its latest fiscal year, or less than a 1:1 ratio of current assets to current liabilities at the end of its latest fiscal year. (Section 668.13(c) lists the methods of accounting to be used in this determination.)

The Department (ED) may determine that a school is financially responsible, in spite of its failing to meet the criteria that we have just mentioned, if the school submits a letter of credit payable to the ED, a performance bond, or any other document requested by ED that demonstrates that the school has sufficient financial responsibility to participate in any OSFA program.

Documents that may be requested by ED

The Department determines whether a school is financially responsible by reviewing documents submitted by the school, and information from other sources, including credit information. If the Department requests, a school must submit for its latest complete fiscal year and current fiscal year either—

- a profit and loss statement and a balance sheet that are based on the same basis of accounting used by the school for financial reporting, or
- the report from a financial audit conducted by a licensed certified public accountant in accordance with generally accepted auditing standards.

When requesting these documents, the Department may also require the school to submit the accountant's or auditor's work papers. In addition, the Department may require that the profit and loss statement and balance sheet be audited and certified by a Certified Public Accountant at the school's expense.

Fidelity Bond Coverage

A school also demonstrates its financial responsibility by maintaining fidelity bonds on its fiscal officers. A fidelity bond indemnifies the holder against losses resulting from fraud or lack of integrity, honesty, or fidelity on the part of its employees or officers. Most schools already maintain these bonds because State laws require them and because schools need to protect themselves against fraud. The Department of Education does not define adequate bond coverage, but it does require schools to obtain coverage only from a company that holds a certificate of authority as an acceptable surety agent. The Department of the Treasury issues these certificates, and a list of acceptable surety agents is published annually as Department of Treasury Circular 570. (Public schools already bonded by their State governments against theft or embezzlement are not required to obtain additional coverage.)

STANDARDS OF ADMINISTRATIVE CAPABILITY

Coordination of aid

The school's financial aid administrator plays a very important role in the administration of OSFA program funds. For this reason, §668.14 of the General Provisions (December 1, 1987) require a school to designate a capable individual to administer the OSFA programs and to coordinate aid under these programs with the school's other Federal and non-Federal student aid programs. The school's administration must be coordinated in such a way that all the information it receives that concerns a student's eligibility under the OSFA programs — from any school office — is communicated to the financial aid administrator.

Capability of FAA

A capable administrator makes the most effective use of various types of student assistance (Federal, school, State, private, etc.). To properly package student aid, a financial aid administrator must be given coordinating — but not necessarily controlling — authority for all financial aid programs a school offers, so that a student's aid does not exceed his or her need.

Section 668.14 also mentions several other factors of administrative capability which are usually the responsibility of the school's financial aid administrator. In particular, this section lists the elements of a reasonable standard of satisfactory progress. We have already given an overview of satisfactory progress in our discussion of student eligibility (Section One).

The financial aid administrator's capability will ultimately reflect the school's capability, as measured by prompt school actions, submission of accurate reports, and favorable program reviews and audits. Because the position of financial aid administrator is so important, the Department of Education believes that establishing professional standards or credentials for aid administrators is an excellent idea, although the Department does not have the authority to impose standards or to require that standards be adopted. The Department also strongly endorses seminars and workshops offered by appropriate professional organizations as excellent ways of developing skilled administrators, but does not consider that attending such training is automatic proof or certification that an individual is capable of administering OSFA programs.

Consistency of student information

The school must have a system that identifies and resolves any discrepancies in the information received by various school offices that would affect a student's eligibility for OSFA funds. Such a system would include a review of all financial aid documents, need analysis documents, Statements of Educational Purpose and Registration Status, Federal and State income tax forms, and documents relating to admissions, citizenship, and previous postsecondary experience. For instance, if a student receives veterans' benefits through a separate office at the school, that office must notify the financial aid administrator of these benefits so that the financial aid office can make sure that the amounts are correctly reported on the student's financial aid application, and are counted as a resource for the campus-based programs and estimated financial assistance for the GSL program. As another example, the school's admissions office must provide the financial aid office with any information that it has that affects the student's eligibility — whether the student is enrolled in an eligible program, whether the student is an undergraduate or has a bachelor's degree, etc.

If, in the course of reviewing a student's information, the school finds that the student may have engaged in fraud or other criminal misconduct in applying for aid, the school must refer this information to the ED Office of Inspector General (OIG), or, if more appropriate, to a State or local law enforcement agency that has jurisdiction to investigate the matter. (The school must report to OIG each calendar year any referrals made to State or local law enforcement agencies during that calendar year.) The regulations give five examples of types of fraudulant statements that might affect the student's eligibility for aid: the use of false identities, forgery of signatures or certifications, and false claims of income, citizenship, or independent student status.

Counseling

The school is responsible for providing adequate financial aid counseling to all enrolled and prospective students and their families. Counseling sessions must include, at a minimum, information about the source and amount of each type of aid offered, the method by which aid is determined and disbursed or applied to a student's account, and the rights and responsibilities of the student associated with the student's enrollment and receipt of financial aid. This information should include a description of the school's refund policy, satisfactory progress standards, and any other conditions or factors that may affect the student's aid package.

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Loan Counseling

The Higher Education Amendments of 1986 added several specific counseling requirements. A school must counsel borrowers under the GSL and Perkins Loan Programs regarding the cost of the loan. The counseling may be individual or in groups. Specifically, the school must give the borrower general information on the average indebtedness of students, the average anticipated monthly repayments on the loan, and review the repayment options available to the student, together with debt and management planning to facilitate the repayment. Ideally this counseling should be given to the student before the student takes out a loan, but it *must* be given before the student finishes the program or withdraws from the program. If the student withdraws without notifying the school, this information must be sent to the student at the student's last known address.

Any loan counseling should also include information about alternatives to borrowing. As discussed in the previous section, the Higher Education Amendments of 1986 added a requirement that a school must inform all eligible GSL borrowers of the availability of State grants in the State in which the school is located, and must refer out-of-State borrowers to the source of information for aid from their home State. While this information can be made available to students through printed materials, it would be a useful to mention these alternatives when counseling students who are applying for loans.

There is no prescribed format for adequate financial aid counseling. For example, the use of audio-visual materials can be very effective. However, audio-visual equipment cannot be used in place of counseling between the student and the financial aid administrator when that counseling is necessary or is required by program regulations.

Adequate Staffing

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An "adequate" staff depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be completely insufficient at another. The Department of Education strongly endorses NASFAA's efforts to establish a minimum number of staff needed for proper program administration. However, the Department will determine, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews and audits.

Separation of Function

In addition to making sure it has a well-organized financial aid office staffed by capable personnel, a school must make sure its procedures for administering the OSFA programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of *authorizing payment* and *disbursing funds* so that no one person or office exercises both functions for any student receiving financial assistance. Small schools are not exempt from this requirement, even though they may have limited staff. At a small school with a limited staff, individuals working in either authorization or disbursement may perform other functions as well.

ADDITIONAL FACTORS OF ADMINISTRATIVE CAPABILITY

A school's administrative capability and financial responsibility may be seriously questioned when—

Indications of poor program administration

- the loan default rate for Perkins, GSL, SLS, or PLUS loans made to students for attendance at the school exceeds 20% of the principal of all loans that have reached repayment status.
- for a school that has a common academic year for a majority of its students, more than 33% of the regular students enrolled at the beginning of an academic year withdraw during that year.
- for a school that does not have a common academic year for a majority of its students, more than 33% of the regular students enrolled at the beginning of any eight-month period withdraw during that period.

Note that the 33 percent withdrawal rate applies to all regular students enrolled in a school — not just to recipients of OSFA funds. To apply this rate only to the latter students would discriminate against schools that enroll high percentages of aid recipients and against publicly supported schools that, by law, have open admission policies.

Adverse action will not automatically be taken against a school that falls into one of the above categories. However, default or withdrawal rates that exceed the limits mentioned may indicate a lack of administrative capability.

If the Department of Education determines that proper OSFA program management is impaired because of a school's excessive loan default or student withdrawal rate, the school will be given every opportunity to explain the situation. If the explanation is considered insufficient, the school must submit certain financial documents for its latest complete fiscal year, as itemized in 34 CFR 668.15(b) and (c). If the Department then decides that serious problems exist in the management of the OSFA programs, it will require the school to take reasonable and appropriate measures to alleviate the conditions. The school has 35 calendar days to respond to this notice by demonstrating that the conditions do not have an adverse effect on the administration of the OSFA programs.

FIDUCIARY RESPONSIBILITY

In general, the funds that the school receives under the OSFA programs are intended solely for the use of the student beneficiaries. The exception is those funds that the school receives as an administrative cost allowance, which is intended as a payment to the school. All other funds are held in trust by the school for those students, and for the Department. These funds may not be held in interest-bearing accounts, or otherwise invested, or used as collateral.*

A school violates its fiduciary responsibility and is not considered financially responsible if any of the following has been convicted, or has pled guilty or *nolo contendre* to a crime involving the acquisition, use, or expenditure of Federal funds, or has been judged to have committed fraud involving Federal funds:

✓ 87 GP REG

Violation of fiduciary responsibility

- ⇨ the school, its owners, or its chief executive officer
- ⇨ any of the school's employees involved in the administration of OSFA funds
- ⇨ any individual, agency, or organization that the school uses, or any officer or employee of the agency or organization

The Department may decide that the school is financially responsible in spite of such a violation, if the funds involved have been repaid and any related financial penalty has been paid, the individuals involved are no longer incarcerated for that crime, and at least five years have passed from the date of the conviction, guilty or *nolo contendre* plea, or judicial determination.

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* However, the school may invest cash from its Perkins Loan fund to increase the fund account. All earnings on such investments must be deposited into the school's Perkins Loan Program revolving funds.

AUDITS

A school that participates in any of the OSFA programs must have a non-federal audit of its program records at least once every two years. These audits must conform to the standards set by the Department of Education's Inspector General. For convenience, the school may have all its programs audited at the same time.

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HEA 1986 - Single Audit Act

Under the Single Audit Act, certain types of schools that receive funds from more than one Federal agency may have a combined audit of all the Federal programs at that school.* The Higher Education Act of 1986 provides that the two-year audit requirement can be satisfied by an audit under the Single Audit Act (chapter 75 of title 31, United States Code).

In conducting an audit, a school and its auditor or auditing firm should use the Department of Education's latest *Audit Guide for Student Financial Assistance Programs*, the accounting and record-keeping manual for the OSFA programs known as *The Blue Book*, and the *ED Payment System Users Manual* (published December 1985).

The Blue Book is developed under contract with the Office of Student Financial Assistance. The full title is *The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Schools for Federally-Funded Student Financial Aid Programs.* Schools can request copies of the Department of Education's audit guide and *The Blue Book* by writing to: Federal Student Information Center, P.O. Box 84, Washington, D.C. 20044.

Independent Audits

State Audits

The auditor or auditing firm the school uses for its biennial audit may be the same one that usually audits the school's fiscal transactions. To produce unbiased conclusions, the auditor must be sufficiently independent of those authorizing the expenditure of OSFA program funds. The criteria for independence are found in Chapter IV Section B of the U.S. General Accounting Office publication, *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. The most important sections of the *Standards* are published as Appendices B and C of the December 31, 1980 Student Assistance General Provisions regulations. An audit conducted by a State auditor will also satisfy the two-year audit requirement.

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* The Single Audit Act has been implemented by Federal agencies using two circulars prepared by the Office of Management and Budget (OMB). OMB Circular A-128 applies to schools that are State entities; OMB Circular A-110 applies to other postsecondary schools. For this reason, audits under this Act may be referred to as A-110 or A-128 audits.

OIG Audits

The Office of the Inspector General (OIG) also conducts audits, usually in cases where there may be concern over the school's administration of the OSFA programs. A Federal audit, such as an audit by the Inspector General, does not satisfy the requirement that a school have a non-federal audit every two years. Upon written request, a school must give the Department of Education or its Inspector General access to all program and fiscal records.

Scope of the audit

No matter who is performing the audit, the audit itself will examine whether the school is properly conducting its financial operations and is complying with the laws and regulations that are applicable to the OSFA programs. The school must make its program and fiscal records available to the auditor, as well as individual student records. (We will discuss the records that a school is required to keep later in this section.) Both the financial aid office and the business office should be aware of the dates the auditors will be at the school, and make sure that someone is on hand to provide requested documents and answer any questions during the review.

Exit Interview

At the end of the on-site review, the auditor will hold an exit interview with the personnel from the school's financial aid and business offices. The exit interview is not only an opportunity for the auditor to suggest improvements in the school's procedures, but also gives the school a chance to discuss the draft report and review any discrepancies cited in the report. Because of the complexity of financial aid programs, it is not unusual for misunderstandings to arise concerning program requirements and school procedures. The exit interview is a good time to resolve any disagreements before the final report is prepared.

Audit Report

The audit report can take exception to procedures at the school and recommend that corrective action be taken. The report can also challenge expenditures at the school. The school should prepare a written response to the audit report including any disagreement with the auditor's conclusions, and any remedial action that will be taken by the school to correct deficiencies mentioned in the report. The school's response can either be incorporated into the audit report itself, or submitted as a separate document. In either case, the school should submit a written response to the Regional Department of the Inspector General for Audit (EDIG) at the same time as the audit report.

Audit submission deadlines

If a school does not receive any campus-based funds, it must submit the audit report to the EDIG no later than January 31 of the year following the last award year covered by the audit. For example, if the audit covers the two award years 1986-87 and 1987-88, the audit report must be submitted no later than January 31, 1989. If the school receives funds under the campus-based programs, it has an additional two months (unitl March 31) to submit its audit report.

THE 12 MOST COMMON AUDIT FINDINGS

Excessive default rate.

Discrepancies in fiscal reports and school ledgers.

Excess cash on hand from OSFA programs.

Missing financial aid transcripts.

Delays in notifying lenders of changes in student enrollment status.

Failure to exercise due diligence in collecting Perkins loans.

Inadequate accounting records.

Records not maintained for duration of retention period.

Insufficient school match in Perkins loan fund.

Improper awards and awards that exceed need.

Incomplete verification procedures.

Incomplete or missing Statement of Educational Purpose.

The school must give the Department and the Office of Inspector General access to any records or other documents necessary to review the audit. In addition, the school's arrangement with the auditor must specify that the auditor will also give access to the records and documents.

If an audit by the school, its audit agency, or the Office of Inspector General (OIG) itself uncovers a questionable expenditure, then OIG notifies the school and the Department. Note that the OIG only reviews the audit report for format, completeness, and conformance to standards for government audits. The OIG does not sustain or reject any audit exceptions, but refers the audit findings to the Audit Review Branch in OSFA for a final decision. The school has 35 days after receiving the OIG notice to respond to the Department in writing, explaining the expenditure and justifying it if the school believes it to be proper.

Based on the audit findings and the school's written explanation, the Audit Review Branch will determine if any funds were spent improperly. The school must repay any improperly spent funds within 45 days, unless the Audit Review Branch grants an extension or the school has appealed the decision.

PROGRAM REVIEWS

Selection of Schools

In addition to reviewing audits, the Department conducts its own program reviews to identify possible problems in the administration of the student financial aid programs by schools. Program reviews are scheduled as time and resources permit, and are usually conducted by an OSFA regional office. In selecting schools for review, OSFA gives priority to schools that appear to be experiencing fiscal or administrative problems, based on such factors as frequent use of the SAI recalculation or dependency override procedures, a high error rate on the FISCOP/FISAP report, an increase in the Perkins Loan default rate, errors in reporting Pell Grant disbursements, and significant variations in the number of applicants or aid recipients at the school.

Scope of the program review

A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as the school's compliance with the specific program requirements for student eligibility and the awarding of aid. However, program reviews tend to place more emphasis on regulatory requirements that are specific to the OSFA programs. In particular, the program review team will usually examine student records and admissions records, fund requests and transfers, records pertaining to due diligence and the collection of Perkins Loans, time sheets and pay rates for the College Work-Study Program, and documents related to the reporting process for the Pell Grant and campus-based programs.

Written report

The program review team prepares a written report which will be sent to the school within 30 days of the review. The school may respond to this report if it wishes to offer additional information to support its position, or if it disagrees with any of the report's conclusions. When the school's response has been considered and all issues have been resolved, the ED official will send a copy of the final program review determination to the school.

APPEALING AUDIT AND PROGRAM REVIEW DETERMINATIONS

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The Higher Education Amendments of 1986 allow schools to appeal final audit or program review determinations. Note that the school may only appeal a final determination. The letter conveying a final audit determination is clearly identified as a "FINAL LETTER OF DETERMINATION," and explains the appeals procedures. A final program review determination is sent to the school as a "FINAL SUMMARY LETTER."

Review by Administrative Law Judge

If a school wants to appeal an audit or program review determination, it must notify the Departmental official who issued the determination within 45 days after it receives the determination. If the school makes such a request, the determination will be reviewed by an Administrative Law Judge appointed by the Department. In most cases, an oral hearing will not be required. The school and the Department must submit briefs with any accompanying materials to the Administrative Law Judge, and provide the other party with a copy of its submission at the same time. If the decision of the judge is appealed by either party, the Secretary of Education will review the judge's decision.

If the Administrative Law Judge (or the Secretary) finds that the school improperly expended funds, the school must repay the funds within 30 days of this decision, unless the Department grants an extension.

PROGRAM AND FISCAL RECORDS

In addition to student records, schools must make their program and fiscal records available for review, including, upon written request, any records of transactions between a school and the financial institution where the school deposits any OSFA funds. When a school establishes bank accounts for Pell Grant, SEOG, Perkins, or CWS funds, it must inform the bank that these are Federal accounts — either by writing the bank (making sure to keep a copy of the notice) or by including the word "Federal" in the name of the account.

SOME EXAMPLES OF ACCEPTABLE ACCOUNT DESIGNATIONS:

Federal Pell Grant Account
Perkins Loan Federal Cash Account
ABC University - Federal EDPMS Account
ABC University - Federal Cash Account

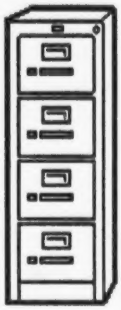
Without prior written notice to the bank, the account designated as simply "SEOG account" or "ABC University Pell Grant account" would not satisfy the requirement because neither identification indicates that Federal funds will be deposited.

STUDENT RECORDS

For each student who receives OSFA funds, a school must keep records of —

- the student's admission to and enrollment status at the school.
- the student's program of study and the courses he or she is taking.
- whether the student is making satisfactory academic progress (see Section One).
- all financial aid the student receives.
- all refunds due or paid to the student, the OSFA programs, or the GSL/SLS/PLUS lender.
- whether the student received a job from the school's job placement service.
- verification of information on the student aid application.

General student record requirements



The school must keep records regarding its admission requirements and the educational qualifications of each student in each eligible program — whether or not such a student receives OSFA funds.

Admission and enrollment status information may include why a student was admitted, how the student's standing compares to that of the average student entering a particular eligible program, and what remedial courses are necessary for the student to complete the program. Keeping this information will not interfere with a school having an "open-door" policy of enrollment, because the requirement applies only to *regular* students enrolled in an eligible program. Students admitted under an "open-door" policy are generally not regular degree or certificate students.

Specific program record requirements

The individual program regulations also contain record retention requirements that apply to the specific programs. For instance, §§690.81 and 690.82 of the Pell Grant regulations require a school to maintain fiscal records for all program transactions, the name and social security number of each student recipient, and records establishing each recipient's eligibility, cost of attendance, and the amount and date of each payment to the student (as well as any repayments to the program accounts on behalf of that student). See the campus-based and GSL program chapters of this *Handbook* for the records required by those programs.

Availability of records

Student records must be organized and readily available for review by the Department of Education. Records are considered organized if the system is consistent with T*he Blue Book.* The records must be kept at the degree-granting school, although not necessarily in one school office.

RECORD RETENTION REQUIREMENT

Student records must be kept for five years from the following dates:

PELL	The last day of the award year.
SEOG **CWS**	The date that the school files its Fiscal Operations Report for that award year.
Perkins (NDSL)	The date that the school files its Fiscal Operations Report for that award year (award records). The date of the loan's assignment, cancellation, or final repayment (loan records).
GSL **SLS** **PLUS**	Last day of the loan period (records). Date report is completed (reports).

Records may be maintained on microfilm or microfiche, except for the promissory notes under the GSL/SLS/PLUS programs. Perkins and NDSL promissory notes may be maintained on microfilm or microfiche providing that the school consults with its legal counsel to verify the enforceability of microfilmed promissory notes. (The microfilmed copy of a promissory note must be suitable and acceptable for litigation under State law, and must provide adequate evidence of indebtedness under State law.) The school must keep records involved in any claim or expenditure questioned by Federal audit until resolution of any audit questions.

PROVIDING CONSUMER INFORMATION TO STUDENTS

Throughout this section and the previous section, we have mentioned information that must be given to the student, usually through counseling. In addition, Subpart D of the General Provisions discusses information about the school and about financial aid that must be available to current and prospective students, usually through printed materials. If necessary, these materials must be prepared by the school. However, many of the items described below will already be available in brochures and handouts routinely disseminated by the school, or in Federal publications such as the *Student Guide.*

The following minimum information must be provided—

Financial aid information

- what Federal financial aid programs are available to students.
- what State and local aid programs, school aid programs, and other private aid programs are available.
- how students apply for assistance and what standards the school uses to determine eligibility.
- how the school distributes aid among students.
- the rights and responsibilities of students receiving financial assistance.
- how and when financial aid will be disbursed.
- the terms and conditions of any employment that is part of the financial aid package.
- the terms of, and schedules for, repayment of student loans.
- the criteria for determining whether a student is maintaining satisfactory academic progress, and how a student who has failed to maintain progress may re-establish eligibility for Federal financial aid.

The school must provide the following minimum information about itself —

General information about the school

- the names of associations, agencies, or governmental bodies that accredit, approve, or license the school and its programs.
- any special facilities and services available to handicapped students.
- the costs of attending the school, including tuition and fees, books and supplies, estimates of typical student room and board costs or typical commuting costs, and any additional costs of the program in which the student is enrolled or has expressed an interest.
- the school's policy on refunds and on distributing OSFA refund amounts. (See Section Seven)
- the current degree programs and other educational and training programs.

- the instructional, laboratory, and other physical plant facilities associated with the academic programs.
- a list of the faculty and other instructional personnel.
- the standards the student must maintain to make satisfactory academic progress.
- who to contact for information on student financial assistance.

Availability of financial aid personnel

The school must have someone available during normal operating hours to help persons obtain consumer information. One full-time employee or several persons may be assigned so that someone is always available (with reasonable notice) to assist current or prospective students and their families. Existing personnel may satisfy this requirement. The Secretary of Education may waive the requirement if the school can demonstrate that a waiver is appropriate.

SECTION SIX: FINANCIAL AID TRANSCRIPT

Generally, when a student transfers from one school to another, the new school must receive a financial aid transcript from the previous schools the student has attended before it disburses Pell Grant, ICL, or campus-based funds to the student or certifies a GSL/SLS/PLUS loan application (exceptions to this requirement are discussed later in this section).

Purpose of the transcript

The information on the financial aid transcript is needed to monitor two aspects of student eligibility. First, the transcript tells the aid administrator how much aid a transfer student has received from the OSFA programs at other schools. By using the transcript, the aid administrator can make sure that the student does not receive an overaward. Most of the OSFA programs have annual maximum limits; the loan programs also have cumulative maximum limits, as shown on the next page.

✓ COBRA

Second, the transcript is used to prevent a student from receiving any OSFA aid if he or she is in default or owes a repayment on an OSFA grant or loan. (The Consolidated Omnibus Budget Reconciliation Act of 1985 amended the eligibility requirements to specify that a student could not be in default or overpayment on an OSFA grant or loan *at any school.* In previous years, a student could not be denied aid under most of the OSFA programs at one school if the default or overpayment occured at another school.)

REQUESTING A TRANSCRIPT

✓ 87 GP REG

Finding out if the student has attended other schools

The current school must determine if a student who applies for aid from the OSFA programs previously attended other eligible schools. The preamble to the December 1, 1987 General Provisions states that the school must make an "active effort" to find out if the student previously attended other schools. For instance, most schools routinely ask prospective students to state their previous academic experience, either in the course of an admissions interview, or on the school's application. The financial aid administrator is responsible for ensuring the "consistency of

MAXIMUM LOAN AND GRANT LIMITS

	ANNUAL	CUMULATIVE	
Pell Grant	$2200	(No dollar limit; however, note 5 to 6-year limit)	
SEOG	$4000	NONE	
Perkins	NONE	$4500	First two years undergraduate study.
		$9000	More than two years undergraduate study.
		$18,000	Graduate/professional study.
GSL	$2625		First two years undergraduate study.
	$4000	$17,250	More than two years undergraduate study.
	$7500	$54,750	Graduate/professional study.
SLS	$4000	$20,000	
PLUS	$4000	$20,000	

information" at the school regarding a student's eligibility (see Section Five), and therefore must have a system to exchange such information with the admissions office.

If the school discovers that the student did attend another eligible school, it must obtain a financial aid transcript from that school (or schools, if the student attended more than one eligible institution). The financial aid transcript must be sent directly from the previous school to the current school (not to the student). The student may request that a transcript be sent, or the current school may make the request. In either case, the current school must document that a written request was made.

PAYMENT AND CERTIFICATION OPTIONS

Pell, ICL, campus-based programs

Once the school has requested the financial aid transcript, it may pay the student under the Pell Grant, ICL, and campus-based programs for one payment period only. If a school exercises this option, after it receives the transcript it must make any necessary adjustments to the student's aid package before the second payment period. The school is not liable for the amount of the first payment if it never receives the financial aid transcript. However, it should not make any subsequent payments to the student without receiving the transcript.

✓ 87 GP REG

GSL SLS

For the GSL and SLS programs, the school may certify the loan application for the student after requesting the transcript, but it may not release the proceeds from the loan until after the transcript is received. If the school does elect to certify a GSL or SLS loan application and then receives a financial aid transcript that shows the student to be ineligible for payment, the school must return the loan proceeds to the lender. In addition, please remember that the school may not hold the loan proceeds for more than 45 days — if the financial aid transcript(s) still have not arrived at the end of the 45 days, the school must return the loan proceeds to the lender.

PLUS

Because PLUS proceeds are sent directly from the lender to the borrower, the school may not certify a PLUS loan application until it has received the financial aid transcript(s).

Foreign schools & closed schools

The school may pay the student as usual if it discovers that the previous school has closed and the requested information is not available. However, it should first check with the ED regional office to see if it has access to the closed school's records. The school also may continue to pay the student if the previous school is a foreign school (some foreign schools are eligible under the GSL/SLS/PLUS programs). The financial aid transcript is not required for payment in these cases. However, the current school is still required to request the transcript.

SENDING A TRANSCRIPT

Reasons for not sending transcript

When a school receives a request for a financial aid transcript, it must promptly provide the requested information on the transcript. If the student did not receive assistance from the OSFA programs, or attended the school so long ago that the record retention period has lapsed and the school no longer has those records, the school must notify the requesting school in writing that a transcript will not be sent and specify the reason.

The regulations do not allow a school to withhold a financial aid transcript for a student who owes a non-OSFA debt to the school (such as unpaid tuition and fees, or a library fine or parking fine). However, the Department encourages the withholding of academic transcripts in compliance with applicable State laws.

Signature requirement

A financial aid transcript may but need not be certified. A valid transcript is one signed by the person the school authorizes to sign transcripts and other financial aid documents. Using a signature stamp to validate transcripts is also acceptable, if the stamp's use is restricted to specific financial aid personnel. In either case, a school is liable for any inaccurate information provided.

REQUIRED INFORMATION ITEMS

✓ 87 GP REG

Required items

The General Provisions require certain information to be sent on the transcript. Several categories of information have been added to the regulations to fulfill new requirements in the law. The transcript must include the following information:

Student information at the school sending the transcript

- *The student's name and social security number.*
- *Whether the student was treated as an independent student under an OSFA programs for the award year before the award year for which a financial aid transcript is requested.* Certain parts of the independent student definition for 1988-89 and later years are based on whether the student was considered independent in previous award years.
- *If known, whether the student is in default on an ICL, NDSL, or Perkins Loan, or owes a repayment on a Pell Grant or SEOG at that school.* The school should always be able to tell from its own records if the student is in default or owes a repayment for any of these programs, if the student attended within the record retention period.

- *Whether the student owes a repayment on an SSIG or is in default on a GSL, SLS, or PLUS loan at that school.* In many cases, the guarantee agency or the State agency for SSIG will have informed the school if the student is in default on a GSL, SLS, or PLUS loan, or owes a repayment on an SSIG obtained at that school.

- *The student's Scheduled Pell Grant and the total amount actually paid to the student, for the award year in which the financial aid transcript is requested.* These two numbers are used to figure the student's remaining Pell Grant eligibility (as described in Chapter Four, Section Two).

- *The total amount of any loans received by the student under the Perkins and NDSL programs at that school.* If the school participates in the ICL program, it must provide a separate total for ICL, as well.

- *Whether the student had an outstanding balance on an NDSL (either Defense or Direct) from that school on July 1, 1987.* This will affect whether the student can be considered a "new borrower" in the Perkins program. New borrowers of Perkins Loans are given a 9-month grace period, rather than the 6-month NDSL grace period.

- *The amount and period of each loan made to the student under the GSL, SLS, or PLUS loan programs at that school.* This includes PLUS loans taken out by the student's parents on the student's behalf.

Information from attendance at any school (if known)

The school may also have information regarding the student's OSFA loans and grants at another school. (Usually from a financial aid transcript received from the previous school(s) the student attended.) When a school sends a financial aid transcript, it must include any information it may have concerning:

- *Any other schools the student has attended.*

- *Whether the student is in default or owes a repayment on any OSFA loan or grant.*

- *The total amount of any loans received by the student under the Perkins and NDSL programs at any school.* If the student attended a school that participates in the ICL program, the school sending the transcript must provide a separate total for ICL, as well.

- *The amount and period of each loan made to the student under the GSL, SLS, or PLUS loan programs at any school.* This includes PLUS loans taken out by the student's parents on the student's behalf.

A school may decide to provide additional items of information such as types of work-study or cooperative education study performed, institutional scholarships awarded, or Pell Grant awards received in previous years. A school may also include in the transcript any information about a student's eligibility for, or receipt of, financial aid if the school considers that information useful to the school the student will be attending.

MODEL TRANSCRIPT

The National Association of Student Financial Aid Administrators, in consultation with the Office of Student Financial Assistance, has developed a financial aid transcript form that schools may use as a model. A copy of the most recent version of the model transcript (March 1988) is provided on the following pages. Financial aid administrators may receive a copy by writing NASFAA, 1920 L Street, N.W., Suite 200, Washington D.C. 20036.

Part I

Part 1 of the transcript contains identifying information for the student. This information may be filled out by the student or the requesting school. The student's signature is optional (however, the transcript must include the student's name and social security number.

Part II

Section A must be filled out if the school filling out the transcript knows that the student attended other schools. Section B is used in those cases where the school is not required to complete the transcript, either because the student did not receive OSFA funds at the school, or because the record retention period has expired.

The first three items in Section C are used by the current school to determine if the student is an independent student and/or a "new borrower" under the Perkins Loan Program. The remaining items relate to the student's default and overpayment status on aid received at the school that is filling out the transcript.

Sections D and E are used to report amounts of aid received from the OSFA programs (and the period of the loan, for GSL/SLS/PLUS loans).

Section F is the signature block for the school sending the transcript. The last page is used by the school to report information about OSFA funds received by the student at other schools (if known).

FINANCIAL AID TRANSCRIPT

PART I: Instructions to the STUDENT. If you ever attended another postsecondary institution, you must complete Part I of this form and submit it to the Financial Aid Office of that institution. Federal regulations require that a Financial Aid Transcript request be sent to every institution you previously attended.

Name ______________________________________ **Social Security #** ____________________
Last First M.I. Maiden

Name used at previous institution (if different from above)______________________________

I request the Financial Aid Office at ______________________________ which I attended from______ to__________ to provide the information requested in Part II to the institution shown below:

I did____ did not____ receive aid while a student at this institution.

Student's Signature (optional):

____

Student's Address:

____

____

(Fold here for window envelope)

PART II: To be completed by the Student Financial Aid Office at the previous institution. Complete either Sections A, B and F, or Sections A and C through F and the Additional Information Sheet.

SECTION A: Other Institutions Attended (Everyone must complete this section):

___ The institution has information indicating the student attended the following institutions other than this institution:

____

____

SECTION B: To be completed if institution is not completing Sections C, D, and E.

The information requested in Sections C, D, E, and the Additional Information Sheet is not being provided because:

___ The student neither received nor benefited from any Title IV aid while at this institution.
___ The transcript pertains solely to years for which the institution no longer has and is no longer required to keep records under the Title IV program recordkeeping requirements.

If you have completed Section A and checked one of the reasons in Section B, and are not required to provide any other information, skip Sections C, D, and E and complete Section F. Otherwise, proceed with Section C.

SECTION C: Complete the first statement and check all others that apply:

1. The student **first** received Title IV aid at this institution for award year ____________________
mo/yr - mo/yr
2. Check all that apply:
   - ___The student received any Title IV aid as an independent student
     - ___ in the current (19_____-19_____) award year;
     - ___ in the previous (19_____-19_____) award year.
   - ___The student had an outstanding balance on an NDSL loan at this institution on July 1, 1987.
   - ___The student owes a refund on a Pell Grant or SEOG at this institution.
   - ___The student is in default on a Perkins, NDSL, or Income Contingent Loan (ICL) at this institution.
   - ___The institution knows the student owes a refund on SSIG received for attending this institution.
   - ___The institution knows that the student is in default on a GSL, FISL, SLS, or PLUS (ALAS) loan made for attendance at this institution, or on a Consolidation Loan.

SECTION D: Assistance Received or Benefited From at This Institution

Sources of Assistance	Amounts (exclude refunds) Current Year: 19__ - 19__	Cumulative Total (include current year)
Pell Grant: Total Disbursement		xxxxxxxxxxxxxxxxxx
Scheduled Award		xxxxxxxxxxxxxxxxxx
SEOG		xxxxxxxxxxxxxxxxxx
Perkins/NDSL Loans	xxxxxxxxxxxxxxx	
Income Contingent Loan (ICL)		
SSIG/State Grant (optional)		
Other aid* (optional; identify each)		

*If you participate in HEAL, Nursing Student Loan, or HPSL, include them here.

SECTION E: GSL/SLS/PLUS History at This Institution:

1. List the period of the loan and amount of each GSL, SLS, and student PLUS loan received by the student for attendance at your institution (include current loans):

GSL		SLS		Student PLUS (ALAS)	
Period	Amount	Period	Amount	Period	Amount

2. List the period of the loan and amount of each PLUS loan received by the student's parents for the student's attendance at your institution (include current loans):

Period	Amount

SECTION F: This section must be completed.

Authorized Signature ____________________ Date __________
Typed Name ____________________ Title __________
Name of Institution ____________________
Address ____________________
Telephone ____________________
Comments ____________________

Form developed by the National Association of Student Financial Aid Administrators and recommended by the U.S. Department of Education, Office of Student Financial Assistance.

FINANCIAL AID TRANSCRIPT

Additional Information Sheet: To be completed by Financial Aid Office[1]

Default/refund Owed at Other Institutions

___The institution has information indicating the student may owe a refund on a Title IV grant received for attendance at an institution other than this one.

___The institution has information indicating the student may be in default on a Title IV loan made for attendance at an institution other than this one.

Assistance Received at Other Institutions. If the student attended institutions other than this one, attach copies of transcripts from those other institutions, if available, or complete the following, to the extent the institution is aware:

1. Total amount of Perkins/NDSL Loans the student received from other institutions: ____________________
2. Total amount of Income Contingent (ICL) Loans the student received from other institutions: __________
3. List the period of the loan and amount of each GSL, SLS, and student PLUS loan you are aware the student received for attendance at other institutions:

GSL		SLS		Student PLUS (ALAS)	
Period	Amount	Period	Amount	Period	Amount

4. List the period of the loan and amount of each PLUS loan received by the student's parents for the student's attendance at other institutions:

Period	Amount

3/88

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[1] At the time this form was released, regulations contained in Section 668.19, as it appeared in the Federal Register of December 1, 1987, required this information. NASFAA understands that these regulations may be modified to exclude these requirements. Until any modifications become effective, the information on this page must be provided.

SECTION SEVEN: REFUND AND REPAYMENTS

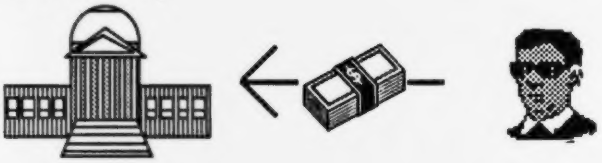
The most frequent source of confusion with regard to refunds and repayments is a misunderstanding as to how these terms are used in the General Provisions. For instance, we may say that a school "refunds" or "repays" financial aid to the OSFA program fund if a student fails to enroll at the school. Many schools call the cash disbursement to a student a "refund," after the school has credited the student's account for tuition and fees and other charges. But "refunds and repayments," as used in §668.22 of the General Provisions, has a different meaning.

Refunds

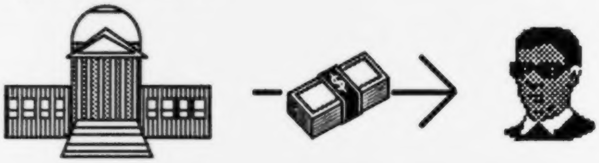
The term "refund" in §668.22 refers to a refund of the amount paid for school charges that the school makes to a student, usually after the student has withdrawn from school. The actual amount of the school's refund to the student is determined according to the school's policy. However, if the student received financial aid from the OSFA programs (except CWS), a portion of the refund must be returned to those programs.

REFUND SITUATION

Student enrolls and pays school charges (tuition and fees, etc.).



Student withdraws from school; school gives refund to student.

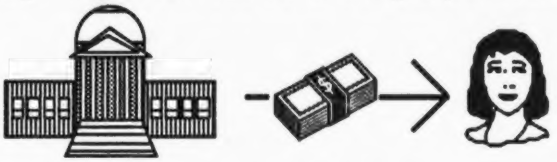


Repayments

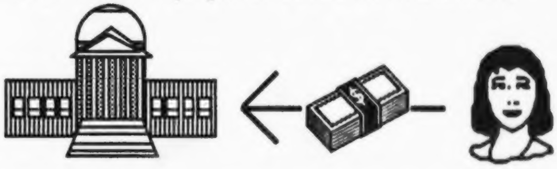
A "repayment" is the amount of the cash disbursement that a student must pay back to the school if the student withdraws from the program. (The cash disbursement is the payment the school makes to the student for living expenses, usually after the student's account has been credited for any school charges.) The school must decide if the cash disbursement was greater than the student's living expenses while he or she was still enrolled at the school. If the student received financial aid from the OSFA programs (except CWS or GSL/SLS/PLUS), a portion of any repayment must be returned to those programs.

REPAYMENT SITUATION

School makes cash disbursement to student at beginning of term, to cover living expenses.



Student withdraws from school; school determines repayment due from student.



Note that these regulations do not affect refunds when the student withdraws from some classes, but continues to be enrolled in other classes. The regulations governing refunds and repayments only apply when the student has completely withdrawn from school.

If the OSFA funds were paid to a student who drops out before classes begin, special rules may apply, as discussed at the end of this section.

REFUND POLICY

The GSL and PLUS program regulations require participating schools to have a fair and equitable refund policy for students who withdraw, drop out, or are expelled. However, because a fair and equitable refund policy (by definition) could not be applied selectively to certain student aid recipients but not others, in effect this requirement applies to all the OSFA programs at a school that participates in the GSL or PLUS programs.

Accrediting agency standards; NACUBO standards

The requirements for a fair refund policy in the GSL and PLUS regulations (34 CFR 682.606) rely on standards developed by the postsecondary education community. (Of course, if a State has passed laws affecting a school's refund policy, the school must comply with those laws.) To be considered equitable, a refund policy must be consistent with the specific refund standards approved by the school's nationally recognized accrediting agency and approved by the Department. If no such standards exist, the school's policy must conform to the standards established by the National Association of College and University Business Officers (NACUBO), or by meeting other standards established by the higher education community and approved by the Department of Education. The NACUBO standards are included as Appendix A of the GSL/PLUS regulations. Appendix A states that the Department considers guidelines VI, VII, VIII of the NACUBO standards to be acceptable elements of a fair and equitable refund policy. We have reprinted these standards on the following pages.

Refund based on actual payments

One final note on figuring the amount of the refund: the refund should be based on the *actual* amount the student paid the school. If the student had only paid a portion of the school charges at the time of withdrawal, the refund is the amount the school would actually return to the student under its refund policy. In other words, the unpaid charges are not considered part of the refund.

For instance a school might owe a refund of $1,000 to the student, based on its written policy. However, if the student had $250 of unpaid charges to his/her account, the school would actually only refund $750 to the student. It is the $750 that is used in the refund formula.

✓ 87 GP REG

To clarify this point, §668.22 defines the institutional refund as the amount paid for institutional charges for the payment period by financial aid and/or cash payments, minus the amount retained by the school for the portion of the payment period that the student was enrolled.

Appendix A To GSL/PLUS Regulations:

For purposes of section 682.606(b), the Secretary considers guidelines VI, VII, and VIII of the following document to be acceptable elements of a fair and equitable school refund policy. The document, which is reproduced in its entirety for the convenience of the reader, was developed by the National Association of College and University Business Officers. The document does not affect a school's obligation to comply with other Department of Education regulations.

Policy Guidelines for Refund of Student Charges

(I) *The governing board of the institution should review and approve the schedule of all institutional charges and refund policies applicable to students.* The pricing of services and refund policies have important consequences to students, parents, the institution, and society; as such, pricing and refund policies should receive board attention and approval.

(II) *Institutions should seek consumer views in the process of establishing and amending charge and refund structures.* Decisions regarding institutional funds are ultimately the sole responsibility of the institution's legally designated fund custodians. However, consumer concerns do affect decision making, and involving consumers in decision making related to charges and refunds is a desirable approach for assessing student needs and creating public awareness of institutional requirements.

(III) *Institutions should publish a current schedule of all student charges, a statement of the purpose for such charges, and related refund policies, and have them readily available free of charge to current and prospective students.* Students and parents have a right to know what charges they will be expected to pay and what will or will not be refunded. They also have a right to know what services accompany payment to the charges. Information materials published free for students and prospective students are ideal for this purpose.

(IV) *Institutions should clearly designate all optional charges as "optional" in all published schedules and related materials. Clearly, charges that are mandatory and charges that are optional must be plainly differentiated in all printed materials.* Also, the institution should state clearly in its schedule if a charge is optional for some students but required for others. Statements accompanying the schedule may include institutional endorsements of the optional program or service.

(V) *Institutions should clearly identify charges and deposits that are nonrefundable as "nonrefundable" on all published schedules.* Institutions determine on an individual basis which of their charges are refundable or non-refundable. In general, admission fees, application fees, laboratory fees, facility and student activity fees, and other similar charges are not refundable. These fees are generally charged to cover the cost of activities such as processing applications and other student information, reserving academic positions, and establishing the limits of institutional programs and services, reserving housing space, and otherwise setting the fixed costs of the institution for the coming academic periods.

Institutions determine on an individual basis which of their deposits are refundable or nonrefundable. Some deposits will be nonrefundable or will be credited to a student's account (e.g. tuition deposits). Others are refundable according to the terms of the deposit agreement (e.g., deposits for breakage).

(VI) *Institutions should refund housing rental charges, less a deposit, so long as written notification of cancellation is made prior to well-publicized date that provides reasonable opportunity to make the space available to other students.* Written notification on or before the beginning of the term of the contract is necessary to ensure utilization of housing units. During the term of the contract, room charges are generally not refundable. However, based on the program offered, space availability, debt service requirements, State and local laws, and other individual circumstances, institutions may provide for some more flexible refund guideline for housing.

(VII) *Institutions should refund board charges in full, less a deposit, if written notification of cancellation is made prior to a well-publicized data that falls on or before the beginning of the term of the contract. Subsequent board charges should be refunded on a pro rata basis less a withdrawal fee.* It is reasonable to make a refund for those goods and services not consumed. The withdrawal charge should reflect that portion of an institution's costs that are fixed for the term of the contract.

(VIII) *The institutional tuition refund policy for an academic period should include the following minimum guidelines:*

A *The institution should refund 100 percent of the tuition charges, less a deposit fee, if written notification of cancellation is made prior to a well-publicized date that falls on or before the first day of classes.*

B. *The institution should refund at least 25 percent of the tuition charge if written notification of withdrawal is made during the first 25 percent of the academic period.* It is reasonable to refund tuition charges on a sliding scale if a student withdraws from his or her program prior to the end of the first 25 percent of the academic period unless state law imposes a more restrictive refund policy.

(IX) *The institution should assess no penalty charges where the institution, as opposed to the student, is in error. The institution has assessed charges in error.* Penalty charges, such as those involving late registration fees, change of schedule fees, late payment fees, should not be assessed if it is determined that the student is not responsible for the action causing the charge to be levied.

(X) *Institutions should advise students that any notifications of withdrawal or cancellation and requests for refund must be in writing and addressed to the designated institution officer.* A student's written notification of withdrawal or cancellation and request for a refund provides an accurate record of transactions and also ensures that such requests will be processed on a timely basis. Acceptance of oral requests is an undesirable practice.

(XI) *Institutions should pay or credit refunds due on a timely basis.* The definition of "timely basis" should include the time required to process a formal student request for refund, to process a check if required, and to allow for mail delivery when necessary. If an institution has a policy that a refund of an inconsequential amount will not be made, this policy should be published in part of all materials related to refund policies.

(XII) *Institutions should publicize, as a part of their dissemination of information on charges and refunds, that an appeals process exists for students or parents who feel that individual circumstances warrant exceptions from published policy. The informational materials should include the name, title, and address of the offical responsible.* Although charges and refund policies should reflect extensive consideration of student and institutional needs, it will not be possible to encompass in these structures the variety of personal circumstances that may exist or develop. Institutions are required to provide a system of due process to their students, and charges and refund policies are legitimately a part of that process. Students and parents should be informed regularly of procedures for requesting information concerning for requesting information concerning exceptions to published policies.

FIGURING THE OSFA SHARE OF THE REFUND

If a refund is due a student under the school's refund policy and the student received any OSFA funds (other than College Work-Study*), part of the refund must be returned to the OSFA program(s) involved. The following formula is used to determine what part of the refund must be returned:

Refund formula

$$\text{School refund to student} \times \frac{\text{Total OSFA funds*}}{\text{Total aid*}} = \text{Amount to be returned to OSFA programs}$$

Use aid awarded for the payment period

The refund formula is based on the aid awarded for the payment period. The school must use *aid awarded* in the fraction, rather than the aid disbursed, because in some instances (such as PLUS loans sent directly to the parents) it may be difficult for the school to find out how much the student actually received at the time of withdrawal. The fraction uses aid awarded *for the payment period* rather than for the award year, so that the formula will not be affected by aid received in other payment periods.

Awards for most of the OSFA programs are disbursed by payment periods, with the notable exception of GSL, SLS, and PLUS loans. The preamble to the December 1, 1987 regulations gives an example of how a GSL should be divided into payment periods:

> The academic year at the school consists of three quarter terms. A student receives a $1,500 GSL in two disbursements of $750 each. (The period of enrollment for the GSL is a full academic year -- three quarters.) What is the amount of the GSL received for each payment period?
>
> *Divide the total GSL by the number of payment periods in the period of enrollment.* $$\frac{\$1500}{3} = \$500$$

To see how the refund formula would be used at a typical school, let's work through a hypothetical case.

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* Wages paid under the College Work-Study program are excluded from both the refund and repayment calculations because the student earned this money for work performed.

REFUND EXAMPLE

A student enrolls in the fall term at a four-year school, and is awarded a $2,000 Pell Grant, a $500 SEOG, a $2,500 GSL, and a $1,000 scholarship (each is paid in two disbursements, one for each semester). The student uses this financial aid plus $500 of her own money to pay her charges at the school for the semester ($2,000 for tuition and fees, and $1,500 for room and board).

After two weeks, the student withdraws from school for personal reasons. The school's policy is to give a 50% refund to students who withdraw in the second week of class. What is the student's refund and how much of it must be returned to the OSFA programs?

SOLUTION

Refund amount: 50% X $3500 = $1750

Aid from OSFA programs:
(for semester)

$1,000 (Pell)
$ 250 (SEOG)
+ $1,250 (GSL)
$2,500

Total aid for semester:

$2,500 (OSFA aid)
+ $ 500 (scholarship)
$3,000

Refund formula:*

$$\$1750^{\text{refund}} \times \frac{\$2500^{\text{OSFA aid}}}{\$3000^{\text{total aid}}} = \$1458.33 \ \text{to OSFA programs}$$

Distributing the refund among the OSFA programs

Now that we've determined the amount of the refund that must be returned to the OSFA programs, how is that amount split up between the programs? As with the refund policy itself, the school makes this decision. The school must have a written policy describing how the OSFA portion of the refund will be distributed among the OSFA programs that were part of the student's aid package. This policy must be consistently applied to all OSFA aid recipients. Funds returned to any OSFA program may not exceed those disbursed from that program.

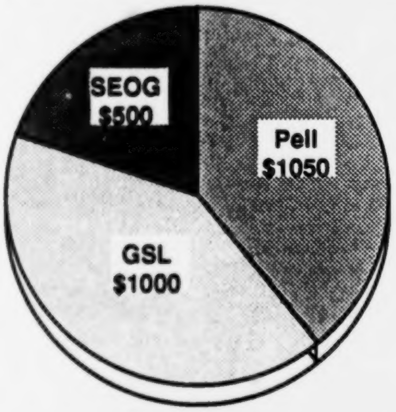
---

* Always remember to exclude any CWS from the refund formula.

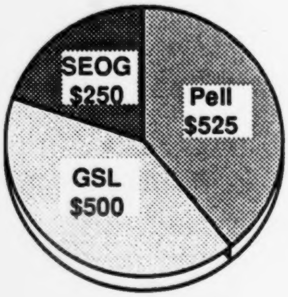
As one example of a refund distribution policy, an aid administrator could decide to return an equal amount to each of the OSFA programs that were a part of the student's aid package, or pro-rate the amount based on the size of the initial award (see example). The school could also decide to return the Federal portion of a refund first to the OSFA program that was the largest component of OSFA aid in a student's financial aid package. If the amount to be returned exceeded the amount awarded from the program, the remaining Federal portion of the refund might then be returned to the OSFA program that was the second largest component of the aid package, and so on. Another example of a refund distribution policy might be one in which the Federal portion of the refund would be applied first to reduce any OSFA loan principal and then to reduce any OSFA grant amounts the student received.

EXAMPLE OF A REFUND DISTRIBUTION POLICY

A school might adopt a policy of returning the refund to each program based on the amount of aid the student originally received from that program. For example, a student receives $2550 from the OSFA programs, with no other source of student aid. Let's assume that the school's policy states that the student is due a refund of $1275. Based on the refund formula, the entire amount must be returned to the OSFA programs. Using the school's refund allocations policy, a pro-rated amount is returned to each program account from which the student received aid.



Total OSFA Funds Awarded $2550



Total Amount Returned to OSFA Programs $1275

✓ 87 GP REG

30-day rule

The school must return the OSFA portion of the refund to the program accounts within 30 days of the date that it is first notified or becomes aware of the student's withdrawal. Any portion of a refund that the school allocates to the GSL, SLS, or PLUS programs must be returned to the student's lender.

SSIG policies

The school's refund distribution policy may also incorporate any provisions of the school's agreement with the State agency under the State Student Incentive Grant Program. This agreement may require the school to return to the State a specific percentage of the State grant or scholarship.

Written policies

Whatever refund distribution policies the financial aid administrator develops must be reasonable and must be published and made available to students at the school. The GSL/PLUS regulations specifically require a school to provide a written statement to prospective students before the student enrolls at the school that includes its refund policy and the procedure for a student to request a refund. The GSL/PLUS regulations also require a school to make the policy known to its current students, and notify its students of any changes to the policy.

REPAYMENT OF CASH DISBURSEMENTS

The General Provisions also discuss a different situation — repayments — in which the student who leaves school may be required to repay financial aid that was given directly to the student as a cash disbursement to cover living expenses. Living expenses are a student's educational costs above and beyond the amount the school charges to the student for tuition and fees and other school services (such as room and board, if provided by the school). A student's living expenses include items such as books, supplies, transportation, child care expenses, and room and board that is *not* provided by the school.

Determining the amount of the overpayment

If the student withdraws, drops out, or is expelled the school must determine whether the student owes a repayment of a portion of the cash disbursement. If the school finds that the student's living expenses incurred up to the time of withdrawal exceed the amount of cash disbursed, the student has not been overpaid. However, if the cash disbursement was greater than the student's living expenses up to the withdrawal date, the excess amount is an overpayment.

CWS, GSL, SLS, PLUS excluded

When figuring the amount of the overpayment, do not count any aid from the CWS, GSL, SLS, or PLUS programs in the cash disbursement, since aid from these programs is excluded from the repayment formula.* This means that a school has to have a way of knowing which program funds were used to credit the student's account, and which funds were paid to the student for living expenses.

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* As in the case of refunds, CWS wages are excluded because they have been earned by the student. In addition, GSL/SLS/PLUS funds are excluded from the repayment formula because the student is already obligated to repay these loans to the lender.

In determining the amount of the overpayment to be returned to the OSFA programs that were part of the student's aid package, the aid administrator uses the following formula:

Repayment formula

$$\text{Amount of Overpayment}^{*} \times \frac{\text{Total OSFA funds}^{*}}{\text{Total aid}^{*}} = \text{Amount to be returned to OSFA programs}$$

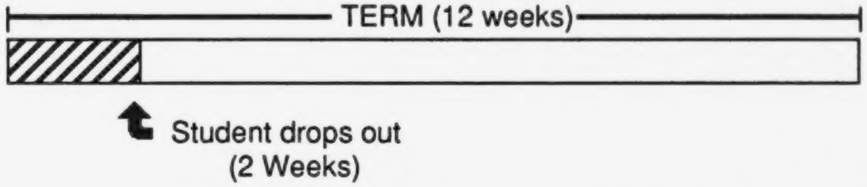
Remember that the formula is based on the aid awarded for the payment period. As in the case of refunds, CWS wages are excluded because they have been earned by the student. In addition, GSL/SLS/PLUS funds are excluded from the repayment formula because the student is already obligated to repay these loans to the lender.

Again, let's work an example to see how you would use the formula at your school.

REPAYMENT EXAMPLE

A student enrolls in a secretarial program at a community college that uses academic quarters. For the quarter, the student receives a Pell Grant payment of $500 and a $500 State grant payment (not SSIG). The tuition and fee bill for the quarter is $300, which is paid by the Pell Grant and the State aid. The remaining $700 of aid is disbursed directly to the student for living expenses.

After attending for two weeks, the student withdraws from the program.



The aid administrator at the school determines that the student incurred approximately $400 in living expenses before leaving school (apartment rental plus food and miscellaneous expenses). Therefore, the student owes a repayment of $300 (the remainder of the $700 cash disbursement minus the $400 living expenses. How much of this repayment must be returned to the OSFA programs?

SOLUTION

Aid from OSFA programs: $500
(for academic quarter)

Total aid for quarter:

$$\begin{array}{rl} & \$500 \text{ (OSFA)} \\ + & \underline{\$500 \text{ (State aid)}} \\ & \$1000 \text{ (Total aid)} \end{array}$$

Repayment formula:*

$$\$300^{\text{ repayment}} \times \frac{\$500^{\text{ OSFA aid}}}{\$1000^{\text{ total aid}}} = \$150^{\text{ to OSFA programs}}$$

Distributing the repayment

As with refunds, schools must develop their own written policies to determine how the Federal portion of the repayment will be distributed to the OSFA programs that were part of the student's aid package.

Withdrawal date

If a student withdraws without officially notifying the school, the withdrawal date for repayment purposes is the student's last recorded day of class attendance. If the school cannot document that date, the student is considered to have withdrawn before the first day of classes, and any cash he or she received is an overpayment.

The school is responsible for notifying the student of the amount owed, for billing the student, and for collecting the overpayment. However, unlike the situation with refunds, a school is not liable for the amount of the repayment if it is unable to collect the repayment from the student.

WITHDRAWALS BEFORE THE FIRST DAY OF CLASS

In most cases, the OSFA program regulations give schools the option to pay a student before classes begin, so that student can pay the tuition and fee bill at registration and make living arrangements. However, this option places some responsibility on the school in the event the student never begins attending classes.

Pell Grant, Perkins, SEOG, ICL

If a student officially withdraws, drops out, or is expelled from school before the first day of classes in a payment period, the school must return any Pell Grant, Perkins, SEOG, or ICL funds that it disbursed to the student. Both the amount credited to the student's account and any money that was disbursed directly to the student must be restored by the school to the program account, whether or not the school is able to collect the repayment from the student. This requirement includes any case in which the school cannot document that the student attended at least one class.

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* Always remember to exclude any CWS, GSL, SLS, and PLUS funds from the overpayment formula.

GSL, SLS, PLUS

If a student has received loan proceeds from the GSL/SLS/PLUS programs but withdraws (officially or unofficially) before attending any classes, the school must determine if the student registered for classes. If the student registered but did not begin attending classes, the school must return to the lender any loan proceeds that were credited to the student's account, *plus* any loan proceeds that were paid directly to the student, but were used by the student to pay school charges. If the student never registered, the school must return the entire amount of the loan proceeds to the lender. As stated above, it is assumed that the student never began attending if the school cannot document that the student attended at least one class.

SECTION EIGHT: AGREEMENTS BETWEEN SCHOOLS

Two or more institutions may enter into a contractual or a consortium agreement so that a student can continue to receive OSFA aid while studying at a school other than his or her "home" institution. (The "home" institution is the one that will grant the student's degree or certificate). The eligibility regulations (34 CFR 600.9, April 5, 1988) have made changes to the requirements for agreements between schools, as discussed below.

CONTRACTUAL AGREEMENT

A contractual agreement may be between two or more eligible schools or between eligible and ineligible schools.* Under such an agreement, one school signs a contract to have a portion or all of its educational program provided by another school. Such an agreement may apply to all the OSFA programs.

Contracts between eligible and ineligible schools

✓ '88 Eligibility Reg (CFR 600)

An eligible school must give credit to those students in the contracted portion of the program on the same basis as if it provided that portion itself. If the agreement is with an ineligible school, there is a limit on the portion of the program that can be given at the ineligible school. If the eligible and ineligible schools are owned by the same individual, partnership, or corporation, no more than 25% of the educational program can be provided by the ineligible school. If the two schools are separately owned, the ineligible school may provide up to 50% of the educational program. However, if the contracted portion is more than 25% of the program, the eligible school must get written confirmation from its accrediting agency, association, or State agency that the agreement meets its standards for contracting out of educational services.**

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* By "ineligible school," we mean any school that has not been approved as eligible and certified to participate in the OSFA programs, as described in Section Four.

** The determination must be made by the school's "nationally recognized accrediting agency or association or recognized State agency." §600.9

"Contracted portion of an educational program" covers situations ranging from a "junior year abroad" program to a cosmetology training program given wholly by an ineligible cosmetology school under contract with an eligible community college or vocational-technical school. In the traditional academic community, a baccalaureate institution does not jeopardize its eligible programs if no more than one academic year is spent by students at an ineligible institution, such as a foreign institution under the junior year abroad concept. At schools that predominantly grant associate degrees, eligible programs are not jeopardized if students spend no more than one semester or one quarter studying under contract at an ineligible school. (Of course, students may exceed these limits without jeopardizing the program's eligibility if the school's accrediting agency has approved the contractual agreement.)

The eligible school must send the Division of Eligibility and Certification a copy of the contract if it establishes a program based on a contractual relationship. The eligible school is responsible for maintaining all records necessary to document student eligibility and receipt of aid (See Section Five for records requirements).

CONSORTIUM AGREEMENT

A consortium agreement, which can exist between eligible schools only, can apply to all the OSFA programs. Under this agreement, students may take courses at a school other than the "home" institution (the school where the student expects to receive a degree or certificate) and have those courses count toward the degree or certificate at the home school. For more information on how consortium agreements affect a student's Pell Grant, see Chapter Four, Section Three.

Elements of a consortium agreement

Agreement contents can vary widely and will depend upon the interests of the schools involved and the accrediting agency or State agency standards. However, certain information should be included in all agreements, such as which school will consider the student enrolled, what the student's tuition, fees, and room and board costs are at each school, and what the student's enrollment status will be at each school. The agreement should also include procedures for calculating awards, disbursing aid, monitoring satisfactory progress and other student eligibility requirements, keeping records, and distributing refunds of OSFA program funds. (The school that pays the student is responsible for returning OSFA funds.)

Effective date

The agreement becomes effective for the payment period in which it is signed; however, it can be retroactive to a previous payment period if the payment period is in the same award year. Thus, if an agreement is signed in the middle of a student's spring semester, he or she can be paid for the entire award year, including the preceding fall semester.

DOMESTIC EXCHANGE PROGRAMS

Students usually participate in domestic exchange programs — such as the National Student Exchange — in one of two ways:

1. Through an out-of-State tuition waiver system that allows a student to pay tuition and fees directly to the institution the student is temporarily attending, or
2. By paying tuition and fees at the home institution, while taking courses at another.

Some students have had problems receiving OSFA program funds under the first method, because neither the student's "home" institution nor the institution the student is temporarily attending considers the student enrolled in an eligible program of study. These circumstances have caused otherwise eligible students to be denied financial assistance at both schools. In some cases, either because of school policy or State law, the out-of-State tuition waiver system is the only way students can participate in the exchange program. In these cases, for the purposes of OSFA programs, the school the student is currently attending may determine that the student is enrolled in an eligible program of study and is therefore eligible for OSFA funds.

RESTRICTIONS

✓ '88
Eligibility
Reg
(CFR 600)

The eligibility regulations restrict the use of written agreements to eligible schools that are accredited or pre-accredited by a recognized accrediting agency or association, or are approved by a recognized State agency. (The State agency must be recognized by the Department as a reliable authority on the quality of public postsecondary vocational education in the State, and must be listed in the **Federal Register** in accordance with 34 CFR Part 603.)

SECTION NINE: SPECIAL INSTITUTIONAL CIRCUMSTANCES

In this section we will discuss several relatively infrequent types of events that affect a school's eligibility to participate in the OSFA programs, ranging from changes to the ownership or location of the school, to corrective actions taken by the Department.

CHANGE OF OWNERSHIP OR CONTROL

Schools that change ownership or control do not automatically remain eligible to participate in the OSFA programs. The Program Participation Agreement signed by the previous owner expires on the date the change of ownership or control takes place.

✓ '88 Eligibility Reg (CFR 600)

Types of changes in school ownership

A change in ownership occurs when the previous owner (either a person or a corporation) no longer has a controlling interest in the school, and a different person or corporation obtains authority to control a school's actions, whether the school is a proprietorship, partnership, or corporation. The most common example of a change in ownership is when the school is sold to a new owner.

However, there are other ways in which the school's ownership can change. For instance, a school's ownership changes when the school transfers its controlling (more than 50%) interest of stock or its assets to the parent corporation. A school's ownership also changes in situations where two or more schools merge, one school divides into two or more schools, or the school transfers its liabilities to its parent corporation.

Steps to be taken by current owner

To continue to participate in the OSFA programs, a school that is changing ownership or control must take steps to reaffirm its eligibility and its certification. The current owner(s) should notify DEC of the date the change of ownership will take place. DEC will then notify the school by certified letter that it will no longer be eligible to participate in the OSFA programs, until its new owner re-establishes its eligibility and certification and has a new Program Participation Agreement countersigned by the Secretary. DEC will send the school an ED Form 1059 Application for

Eligibility), an ED Form 633 (Application for Certification), two copies of the Program Participation Agreement, and a request for a financial statement. The school must submit these materials to DEC for the concurrent eligibility and certification review.

The current owner should also notify the school's accrediting agency and the appropriate State agency that licensed or approved the school.

Student aid payments

Before the school is sold, the current owner should make sure all students have received any financial aid payments already due them for the current payment period, and that all records are current and comply with Federal regulations. If a school needs additional funds for its students for the current payment period, it should request them and disburse them to all eligible students before the sale takes place. **The new owner(s) may not disburse funds awarded under the Program Participation Agreement signed by the previous owner(s).**

Audits and close-out procedures

While an audit is not required, the new owner may want to have the accounts audited before they are closed out. If a school official has any questions concerning student financial assistance accounts or close-out procedures, he or she should contact the area representative for the Pell Grant Program, or the campus-based or GSL branches of the Division of Program Operations (see Chapter One for organizational information and phone numbers).

The current owner should give the new owner(s) copies of the school's current Eligibility Letter, program reviews, and audit report.

Steps to be taken by new owner

The new owner(s) should complete and promptly return the ED Form 1059, 633, Program Participation Agreement, and financial statements for the school. As financial statements, the school must submit individual statements for both the new and former owners, listing their assets, liabilities, and net worth, and either 1) a profit and loss statement and balance sheet for the latest complete fiscal year, or 2) an audit report for the latest complete fiscal year, prepared by a licensed certified public accountant. If the previous owner(s) did not notify DEC of the proposed change in ownership or control, the new owner should contact the appropriate DEC branch to request applications and other documents.

With its application, the school must include a notice that its accreditation is continued under the new ownership or control, and a copy of its State legal authorization under the new ownership. The school must also certify that it is assuming liability for the previous owner's administration of the OSFA programs. This means the new owner must accept liability for any Federal funds given the school that were improperly spent before the effective date of the change of ownership or control. The new owner must also agree to abide by the refund policy that applied to students enrolled before the effective date of the change, and to honor all student enrollment contracts signed before the date of the change.*

New owners should make sure all students have received their award payments for the payment period preceding the date of purchase, that all student assistance accounts have been closed out, and that all reports have been filed properly. The school should notify all new students that no funds can be disbursed until the school's eligibility is reaffirmed and the new Program Participation Agreement approved.

Steps taken by DEC

Once DEC determines that the school is eligible, it will issue a new Eligibility Letter. At the same time it is considering the school's eligibility, DEC will review the new owner's financial statement and a new Application for Certification (ED Form 633). DEC also consults the Division of Program Operations, the Division of Audit and Program Review (DAPR), and the regional offices to check for potential problems. If DEC certifies the school, the Certification Branch sends the school a countersigned copy of the new Program Participation Agreement and notifies the Division of Program Operations, the regional offices, and the guarantee agencies that the school is certified.

Effective date of eligibility

When a new Program Participation Agreement is signed, the new owner ordinarily may disburse OSFA funds beginning with the payment period in which the change of ownership takes place — unless DAPR's Participation Control Branch terminated the school's participation under the previous owner. If participation was terminated, the new owner may not disburse any funds before the payment period in which the new Program Participation Agreement is countersigned.

Limitation on retroactive payments

There is one exception to this disbursement procedure under the Pell Grant Program, however. If the change of ownership or control occurs in one award year and the date the Department of Education countersigns the new Program Participation Agreement occurs in the succeeding award year, the new ownership may not make Pell Grant or campus-based disbursements for any payment period that does not occur at least partially in the succeeding award year.

'88 Eligibility Reg (CFR 600)

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* The new owner must carry out these steps for the school to be considered the same school as before the change ownership, for eligibility purposes. If the school is not considered the same school, it must apply as a new school (see steps in Section Four) and meet all the applicaple requirements for eligibility, including (if applicaple) the requirement that the school have been in existence for two years. With certain exceptions (§600.31(d)(2)), a school that changes ownership will be considered a new school if the new owner(s) are guilty of a crime involving the acquisition, use or expenditure of Federal funds, or have committed fraud involving Federal funds.

OTHER SUBSTANTIVE CHANGES

Change of name, address, level of offering, etc.

Eligibility does not automatically continue if a school changes, for example, its name, address, or level of offering. A school that has made such a change should request DEC to review the school's eligibility. DEC will notify the school of the information it must provide. Among other items, the school must send DEC a new ED Form 1059 showing the change. After receiving the required documents, DEC will reconfirm the school's eligibility by sending an Eligibility Letter, if warranted.

Additional locations and extension programs

The eligibility of a school and its programs does not automatically include separate locations and extensions. If educational services are provided at other locations such as separate campuses, military bases, or other towns or cities, and these locations are not listed in the school's Eligibility Letter, the school must document the eligibility of these separate locations.

Notifying DEC (Form 1059)

A school that is adding a location, extension, or auxiliary classroom must notify the accrediting body, State licensing agency, and DEC of the addition. When it notifies DEC of the change, the school must send a completed Form 1059, a copy of the accrediting agency's notice certifying that each location is included in the accredited status, and a copy of the State legal authorization from each State in which the school is physically located. The State authorization must show that each site is legally authorized.

Revised Eligibility Letter

DEC issues a revised Eligibility Letter to the school to include the location, if it meets all the eligibility requirements. If an accrediting agency includes a school's branches or extensions within the school's accredited status, DEC issues one Eligibility Letter. Depending upon the circumstances, the Institution and Lender Certification Branch of DEC may conduct a financial and administrative certification review, and the Program Review Branch of DAPR may conduct an on-site review.

The area of the Program Participation Agreement for the names and addresses of "subsidiary institutions" is now used *only* when a separately accredited, free-standing, eligible, and certified school wishes to be encompassed by another such institution exclusively to establish or maintain joint funding for the OSFA programs. *If additional locations are not separately eligible schools, they will be listed only in the Eligibility Letter from DEC — you should not include these locations in the Program Participation Agreement.*

Effective date for location

After DEC includes an additional location in the eligibility status of a school's main campus, the school may disburse funds to students enrolled at that location, beginning with the payment period in which the eligibility of the additional location is established. (Eligibility is established as of the date the Secretary receives all the information necessary to make an eligibility determination.)

SCHOOL CLOSINGS AND LOSS OF ELIGIBILITY

When a school stops providing educational instruction or decides to close for other reasons, it loses its eligibility to participate in the OSFA programs.

At the time such a decision is made, the school must immediately notify the Department of Education and then carry out the following minimum requirements:

Steps to be taken by school

- ➡ Refund to the Federal Government, or otherwise dispose of (by written instruction from the Department of Education) and any unobligated OSFA funds it has received, except those OSFA funds it has committed* but not yet paid to students in that payment period and its administrative allowance, if applicable.
- ➡ Submit to the Department within 45 days after the effective date of the closing or loss of eligibility all financial, performance, and other reports required by each appropriate OSFA program regulation, and a letter of engagement for an audit or an audit report covering all OSFA funds it received.
- ➡ Report to DEC on the arrangements for retaining and storing all records concerning the administration of the OSFA programs. (See Section Three for information on how long records must be kept.)
- ➡ Tell the Department how it will provide for collecting any outstanding OSFA student loans.
- ➡ Refund unearned tuition and fees. (See Section Five for more information on refunds.)

The ED regional office staff can help a closing school with these responsibilities and should be contacted for advice.

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* *Commitment:* For Pell Grants, funds are considered to be committed when a student who is enrolled and attending the school submits a valid Student Aid Report to the school. For the campus-based and ICL programs, funds are committed when a student who is enrolled and attending the school receives an award letter from the school. GSL, SLS, and PLUS funds are committed when the guarantee agency (or the Department) advises the lender that the loan is guaranteed.

FINE, LIMITATION, SUSPENSION, OR TERMINATION PROCEEDINGS*

Corrective action will be taken against any school that—

1. Violates the law or regulations governing the OSFA programs, the Program Participation Agreement, or any other agreement made under the law or regulations.

2. Substantially misrepresents the nature of its educational program, its financial charges, or the employability of its graduates. (For more information on what constitutes "substantial misrepresentation," see Part 668 of the December 1, 1986, **Federal Register**).

If it appears that a school has committed one of the above violations, the Office of Student Financial Assistance may first allow the school to respond to the problem and indicate how it will correct it. If these informal means to correct the situation fail, or if an school has repeatedly violated the law or the regulations, the Department of Education will initiate a limitation, suspension, or termination of participation procedure. It may also fine the school or take an emergency action. For details on procedures that schools should follow in limitation, suspension, or termination of participation procedure, see Subpart G of the General Provisions, as published in the December 1, 1986, **Federal Register**.

Emergency action

The Department of Education through a designated official may take emergency action to withhold OSFA funds from a school if the Department receives information, determined by the official to be reliable, that the school is violating applicable laws, regulations, special arrangements, agreements, or limitations. To take emergency action, the official must determine that the school is misusing Federal funds, that immediate action is necessary to stop this misuse, and that the potential loss outweighs the importance of using the established procedures for limitations, suspensions, and terminations. The school is notified by certified mail of the action and the reasons for it. The action becomes effective on the date the school receives the notice.

Emergency action suspends the school's participation in all OSFA programs and prohibits the school from disbursing OSFA funds. The action may not last more than 30 days, unless a limitation, suspension, or termination proceeding is begun during that period. In that case, the emergency action is extended until the proceeding, including appeal, is concluded.

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* In addition to the penalties the Department may impose against a school, an individual is subject to a fine, or imprisonment, or both if he or she misappropriates OSFA funds, destroys or conceals any financial aid record relating to an OSFA program, illegally pays an eligible lender as an inducement to make or acquire a GSL, SLS, or PLUS, or gives false information or conceals information concerning the assignment of an OSFA loan.

Fine

The Department of Education may fine an institution up to $25,000 for each statutory or regulatory violation. The Department first notifies the school of the intent to fine so that the school can request a hearing, if it chooses.

If the school is proven guilty of violations, it may appeal to the Department for a compromise on the amount of the fines imposed at the hearing. In determining this amount, the Department will take into account the school's size and the seriousness of its violation or of its misrepresentation.

Limitation

A limitation means that a school has agreed to abide by certain specific conditions or restrictions in its administration of OSFA funds, so that it can continue to participate in any OSFA program. A limitation lasts for at least 12 months. If the school fails to abide by the limitation's conditions, a termination proceeding may be initiated.

Suspension

A suspension removes a school's participation in the OSFA programs for a period not to exceed 60 days, unless a limitation or termination proceeding has begun. Suspension actions are used when a school can be expected to correct a program violation in a short time.

Termination

A termination ends a school's participation in the OSFA programs. Participants who have violated the law or regulations governing the OSFA programs, their Program Participation Agreement, or any other agreement made under the OSFA regulations may not be reinstated for at least 18 months, even if the school changes ownership during that time. After 18 months have passed, the school may request reinstatement from the Department of Education.

If a school is terminated because it substantially misrepresented the nature of its educational programs, its financial charges, or the employability of its graduates, it may not be reinstated for at least three months, even if it changes ownership.

Reinstatement

The reinstatement request must be in writing and must show that the school has corrected the violation(s) on which the termination was based including repayment of all funds (to the Department or to the eligible recipients) that were improperly received, disbursed, caused to be disbursed, or withheld. To be reinstated, the school must demonstrate that it meets the standards in Subpart B of the General Provisions (discussed in Section Five), and enter into a new Program Participation Agreement.

Within 60 days of receiving the request for reinstatement, the Secretary of the Department of Education must either grant the request, deny the request, or grant the request subject to limitations.

Reimbursements

As part of any fine, limitation, suspension, or termination proceedings, the Department may require the school to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to the Department of Education. The Department may offset any funds to be repaid against any benefits or claims due the institution.

APPENDIX: DOCUMENTING CITIZENSHIP STATUS

As authorized by Congress, the OSFA programs are intended to provide student financial aid to needy students who are either U.S. citizens, U.S. nationals, or permanent residents, or who intend to become permanent residents of the U.S. This appendix will discuss a) when a school is required to document a student's citizenship status, and b) what documents are acceptable as proof of the student's status. Required documentation of a student's citizenship status must be kept in the school files until the record retention period expires.

With exception, the eligibility criteria and documentation requirements for U.S. citizens and eligible non-citizens are the same for all OSFA programs. To be eligible for aid, a student must be in one of the following categories relating to citizenship:

Categories of citizens and eligible non-citizens

1. ***A U.S. citizen or national.*** The term "national" includes not only all U.S. citizens, but also natives of American Samoa or Swain's Island.
2. ***A permanent resident of the U.S.*** A permanent resident of the U.S. must provide documentation from the Immigration and Naturalization Service (INS).
3. ***Certain residents of the Pacific Islands.*** In some cases, residents of Palau, the Marshall Islands and the Federated States of Micronesia (former Trust Territories) will continue to be eligible for aid from three OSFA programs (Pell, SEOG, CWS). We will discuss the changes in the status of these Pacific Islands later in this appendix.
4. ***Other eligible non-citizens.*** An individual who can provide documentation from the INS that he or she is in the U.S. for other than a temporary purpose with the intention of becoming a citizen or permanent resident. Includes refugees, persons granted asylum, Cuban-Haitian Entrants, temporary residents under the recent Immigration Reform and Control Act of 1986, and others.

Students at foreign schools

The only exception concerns students attending foreign schools which participate in the GSL/SLS/PLUS programs. To receive a GSL/SLS/PLUS loan at a foreign school, a student must be a U.S. citizen or national. Permanent residents of the U.S. or other eligible non-citizens are not eligible for loans to attend foreign schools.

We will discuss the documentation requirements for each of these categories in the following pages. At the end of this appendix we will also discuss which documents need to be collected from returning students, and which kinds of documentation do not need to be updated.

U.S. CITIZEN OR NATIONAL

The term "U.S. citizen" includes citizens of the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and now the Northern Mariana Islands (the Northern Marianas became a Commonwealth of the United States on November 3, 1986).

Generally, students in the U.S. citizen category are not required to provide documentation of that status to receive OSFA funds. However, a student who does not check a box for citizenship status when first applying for aid will be required to provide documentation of citizenship. This requirement also applies to a student who checks the box for "ineligible" or "eligible non-citizen," but later corrects the item to "citizen."

Documentation for citizens not born in the U.S.

If the student in question is a U.S. citizen who was not born in the United States, you should ask for one of the following documents: a valid passport , a Certificate of Citizenship, a Certificate of Naturalization, a Form FS-240, or a completed Form G-641.

Certificate of Citizenship

If the student or parent borrower presents a Certificate of Citizenship, the statement must include at least the following information:

1. The student's name and the application number
2. The certificate number (in the upper right hand corner)
3. The date of issuance of the certificate

Certificate of Naturalization

If the student or parent borrower presents a Certificate of Naturalization, the statement must include at least the following information:

1. The student's name and the petition number
2. The certificate number (in the upper right hand corner)
3. The INS Alien Registration Number
4. The name of the court where the naturalization occurred
5. The date of naturalization

REPLACING LOST INS DOCUMENTS

If a student cannot locate his or her official INS documentation, the student must request that the documents be replaced, since immigrants are required to have documentation of their status. Requests for replacement documents should be made to the INS District Office that issued the original documents. (See addresses at end of this appendix.)

In the past, we have suggested that the student use an INS Form G-641 (Application for Verification of Information from Immigratrion and Naturalization Service Records) as an alternative way to document his or her status as an eligible non-citizen. However, INS has informed us that it is discontinuing the use of this form. In cases of undue hardship to the student, in which the student urgently needs documentation of their status, you may suggest that the student request a photocopy of the documents from the INS District Office that issued the original documents, under the Freedom of Information (FOI) Act. The student may submit an INS Form G-639 to make this request, or simply send a letter to the District Office. If the student is not sure which District Office issued the original documents, he or she may submit the request to the FOI office in Washington, DC (see addresses at the back of this appendix). While you may accept a photocopy of the documentation to establish the student's eligibility for student financial assistance, the student is required by law to have the original documentation, and should be advised to request replacement documents for the lost originals.

Some students may still have a copy of the Form G-641, and may submit it to the school to document their eligibility. To be acceptable documentation of a student's eligibility, both the student's section and the INS section of the form must be completed, and one of the following statements must be checked on the form (blanks must be filled in by INS).

" ☐ Lawful admission for permanent residence on __________ at
____________ class ____________."

" ☐ Naturalization information as shown above is correct."

The G-641 would also be acceptable if the following three lines are completed (as a group):

" ☐ Naturalization in (court) _________ on (date) __________
☐ At (location) ___________
☐ Date of birth __________"

If the line

" ☐ Arrival record dated _____________ showed subject's age at time to be ______________"

is completed, the G-641 is *not* acceptable unless one of the appropriate endorsements listed in this appendix is also on the G-641. These endorsements are not automatically placed on the G-641. The student must request in writing that INS include on the G-641 the appropriate endorsement as it appeared on his or her original INS document. In the case of Cuban-Haitian students, INS generally is issuing only the endorsement "Cuban-Haitian Entrant," which is acceptable on the G-641.

Photocopying permitted

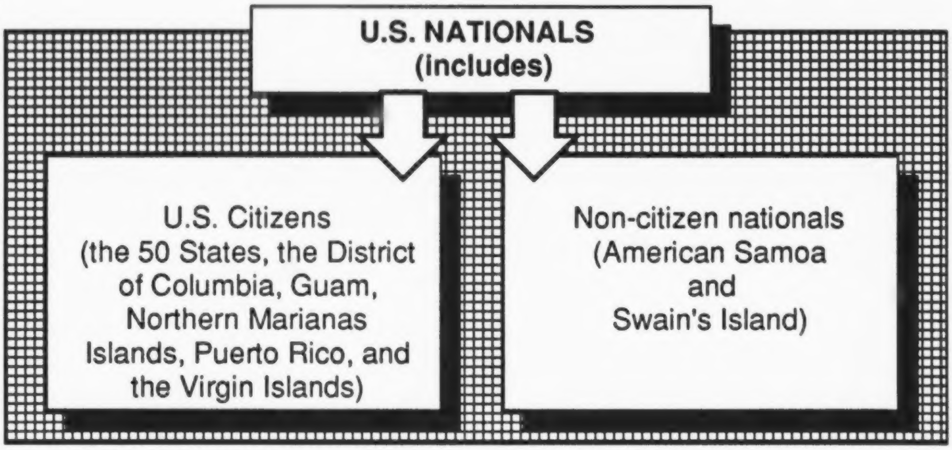
While older versions of these two certificates advise the holder not to photocopy them, INS has informed us that these certificates may be photocopied for lawful purposes (newer versions of the form will include this information). INS has confirmed that it is permissable for a school to photocopy these certificates for its records.

Form FS-240 or G-641

If the student presents a Form FS-240, "Report of Birth Abroad of a Citizen of the United States," the form must bear an embossed seal including the words "United States of America" and "State Department." The Form G-641 can also be used to confirm the student's status either as a citizen or as an eligible non-citizen. This form was discussed at greater length on the previous page.

U.S. Nationals

Actually, all U.S. citizens are also considered to be U.S. nationals. However, there are some U.S. nationals (natives of American Samoa or Swain's Island) who are not U.S. citizens. If this sounds confusing, perhaps the diagram below will help explain the term:


U.S. NATIONALS (includes)
U.S. Citizens (the 50 States, the District of Columbia, Guam, Northern Marianas Islands, Puerto Rico, and the Virgin Islands)
Non-citizen nationals (American Samoa and Swain's Island)

Acceptable documentation for a non-citizen national is simply a U.S. passport stamped "Non-citizen National."

PERMANENT RESIDENT OF THE UNITED STATES

I-151 and I-551

The standard documentation of permanent resident status is the Alien Registration Receipt Card (Form I-151 or Form I-551). Both forms are usually referred to as "green cards" although they may or may not be green.) A completed Form G-641 can also be used to document permanent resident status. A passport or an I-94 is also acceptable if it has one of the following stamps:

Passport

⇨ A passport stamped "Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid Until_______. Employment Authorized."

I-94

⇨ A Departure Record (Form I-94) stamped as above or stamped "Temporary Form I-551. Admission for permanent residence at _________________(port) on _________(date) verified. __________(office of issuance)________(date)________(signature of issuing officer)__________(title)."
This Form I-94 will also contain the individual's photo and an INS seal over the photo and the stamp.

A student who has an approved application for permanent residence on file with INS and who is waiting for an Alien Registration Receipt Card may not have proof of his or her citizenship status. You should advise such a student to contact his or her local INS office for the passport stamp or I-94 described above.

In past award years (prior to 1984-85), a student or parent borrower who had an INS Form I-181, I–181a, or I-181b with specific INS stamps was eligible for OSFA aid. However, these forms are only used in connection with an *application* for permanent residence status. None of these three forms is proof of permanent residence. Therefore, these three INS forms are no longer accepted as proof that a student is an eligible non-citizen.

Conditional status

The Marriage Fraud Amendments established a two-year conditional permanent resident status for certain alien spouses and their children. The alien spouse of a U.S. citizen or legal immigrant is given conditional permanent resident status if the marriage took place less than two years before the spouse applied for permanent resident status or citizenship. This status may also apply to children of that spouse who are aliens.

An alien who is granted conditional permanent resident status will be given a Form I-551. This form is the same I-551 that is issued to regular permanent residents, except that the card will have a "C" (for "conditional") on the front, and an expiration date on the back. A conditional permanent resident must file a petition for removal of this restriction during the 90 days at the end of the two-year period. After satisfactory review of the alien's petition, the restriction will be dropped and new documents issued. Conditional permanent residents holding an I-551 with a valid expiration date are eligible to receive aid under the OSFA programs.

RESIDENTS OF THE PACIFIC ISLANDS

Northern Marianas Islands

There have been several changes to the political status of the Pacific Islands in the past year. As noted earlier, the Northern Marianas has become a Commonwealth of the United States (as of November 3, 1986). As a result, most residents of those islands are now citizens of the United States and are eligible for OSFA funds on that basis (see previous section on documentation for citizens).

Palau

The Compact of Free Association (P.L. 99-239) is intended to create three new political entities from the former Trust Territory of the Pacific Islands. At the time this Appendix was prepared, the Compact had recently been signed by Palau, but had not been ratified by Congress. Residents of Palau will continue to be eligible for OSFA funds as "permanent residents of the Trust Territories of the Pacific Islands" until the Compact with Palau has been ratified by Congress.

Marshall Islands and the Federated States of Micronesia

The Compact has been signed and is now effective for the Marshall Islands and the Federated States of Micronesia. Citizens of these islands are only eligible for OSFA funds if they were enrolled in a postsecondary school on the day preceding the effective date of the Compact. (The Compact was effective October 21, 1986 for the Marshall Islands, and November 3, 1986 for the Federated States of Micronesia.) Eligibility for these students is limited to Pell Grant, CWS, and SEOG Program funds, and is limited to a maximum of four years after the effective date of the Compact.

Students from these islands who are not eligible for OSFA funds should be advised to contact their appropriate government office. Funds have been provided to the governments of Federated States of Micronesia and the Marshall Islands to establish their own assistance programs. In addition, some students who are ineligible for OSFA funds may choose to apply for permanent resident status, in which case you should document that status as described previously.

OTHER ELIGIBLE NON-CITIZENS

For humanitarian reasons, students who have been designated by the INS as lawfully present in the U.S. for a purpose other than temporary will still be considered eligible for OSFA aid. Evidence of this lawful presence will be given on the departure record (Form I-94). The I-94 departure record will contain one of the following:

Refugee

➪ A stamp indicating that the student or parent borrower has been admitted to the United States as a refugee. This stamp will read either "Admitted as a Refugee Pursuant to Section 207 of the Act. If you depart the United States you will need prior permission to return. Employment Authorized," or "status changed to refugee pursuant to Section 207 (c)(2) of the Immigration Nationality Act, on ___________. Employment Authorized."

Asylum

➪ A stamp indicating that the student has been granted asylum in the United States. This stamp will read "Asylum status granted pursuant to section 208, INA. Valid to ________. Employment Authorized." Persons who have been granted asylum in the U.S. are given permission to stay for one year. At the end of that year, they are eligible to apply for permanent residence.

A refugee or a person who has been granted asylum may also apply for permanent resident status and may be required to return his or her original I-94 to INS. While the application is being processed, INS will give the student a copy of the original I-94 which will include the endorsement "209a (or 209b) pending. Employment Authorized." Such a student is still eligible for aid through the OSFA programs.

Conditional Entrant

➪ A stamp indicating that the student or parent borrower has been admitted to the United States as a conditional entrant. Although this status remains valid, the INS stopped using this category on March 31, 1980. Therefore, no I-94 showing admission in this status after March 31, 1980, should be accepted without first having the student or parent borrower contact INS.

Parollee

➪ A stamp indicating that the student or parent borrower has been paroled into the United States for an indefinite period for humanitarian reasons. The words "indefinite" and/or "humanitarian" will be hand-written into the stamp.

Cuban-Haitian entrant

➪ A stamp across the face of the I-94 indicating that the student or parent borrower has been classified as a "Cuban-Haitian Entrant, Status Pending." (The stamp may also read "Cuban-Haitian Entrant (Status Pending). Reviewable January 15, 1981. Employment authorized until

January 15, 1981.") A document showing the holder to be a Cuban-Haitian Entrant is valid no matter what expiration date appears on it.

The I-94 for some Cuban-Haitian Entrants who are applying for permanent residence may be stamped "applicant for permanent residence." (Or the student may be given a separate document acknowledging the receipt of his or her application for permanent residence.) Since an applicant for Permanent Residence is not eligible for OSFA aid, you must tell the student to request documentation from INS that would confirm that the student is a Cuban-Haitian Entrant, or other eligible non-citizen.

Suspension of deportation

Under certain circumstances an individual may apply to Congress for a suspension of deportation. Since such a request is granted in nearly every case, students in this category are considered to have established their status as eligible non-citizens.

INS procedures vary with respect to documentation. Acceptable documentation includes a copy of the order from the Immigration Judge, a letter from a district INS office, or a completed Form G-641. Although the documents will vary in wording, they must contain the student's name and INS Alien Registration Number, in addition to either a recommendation by the Judge that the suspension of deportation be granted, or the date of the Congressional session when the suspension may become effective. If the student presents a Form G-641, both the applicant and INS sections must be completed, as described below.

The endorsement "employment authorized" may appear on any of the documents mentioned above. The endorsement is not sufficient proof that a student is an eligible non-citizen. If a student who claims to have a suspension of deportation case pending before Congress presents a Form I-94 with the words "employment authorized," you should ask the student to provide one of the acceptable documents listed above to be eligible for OSFA funds.

✓ IRCA

Immigration Reform and Control Act of 1986

The Immigration Reform and Control Act of 1986 made it possible for certain categories of aliens to receive temporary resident status and eventually permanent resident status. These categories include aliens who 1) entered to the United States illegally before January 1, 1982, have resided continuously in the United States since that date and meet certain other eligibility requirements, or 2) performed qualifying agricultural employment in the United States during defined periods of time and meet certain other eligibility requirements.

An alien who meets the eligibility requirements must apply at his or her local INS office. If he or she is eligible for temporary resident status, the INS office will issue an Employment Authorization Card (Form I-688A) which permits an eligible alien to work legally in the United States while his or her application is being processed. A student who has a Form I-668A is not eligible for OSFA funds. The Form I-688A expires 6 months from the date of issue, during which time the holder will be notified if the application for temporary resident status has been accepted.

Temporary Resident Card (I-688)*

If the application for temporary resident status is approved, the applicant may turn in the I-688A at the local INS Legalization Office, and receive the Temporary Resident Card (Form I-688). This card will have an expiration date. Students who have a valid Form I-688 are eligible for OSFA funds. A student who has a Form I-688 must show the card to the school he or she is attending, and provide a photocopy to the school for its records.*

Student visas etc., not acceptable

Persons with F-1 or F-2 Student Visas, or J-1 or J-2 Exchange Visitors Visas, or G series Visas (pertaining to international organizations) are *not eligible* to apply for OSFA aid, unless they have an I-94 with one of the endorsements listed above. Also, someone who has only a "Notice of Approval to Apply for Permanent Residence (I-171 or I-464)" cannot receive OSFA aid.

INS stamp and validation

The INS documents described above will be stamped in a rust colored ink. They will normally contain a validation indicating office of issuance and a code to indicate the officer who prepared the document. Examples of codes are "WAS-82" (Washington District Office, Officer Number 82) and "1/13/84 SPO.KD" (Spokane Office, officer's initials KD).

Collecting documentation and photocopies

You must keep a copy of the citizenship documentation submitted by the student in the student's file. Documentation provided as proof of the student's or parent borrower's citizenship status (such as the Alien Registration Receipt Card and the Departure Record) can legally be photocopied by the student or parent borrower. It is important that the student or parent understand that he or she is permitted to photocopy a document only for purposes of applying for aid under the OSFA programs. The student or parent *must not* photocopy a document for any other reason.

Although students or parent borrowers may copy the I-94 and other documents and submit them to you, sometimes the endorsement (a stamp) does not show on the photocopy due to the ink color on the original document. If this occurs, you should ask the student or parent to provide the original I-94 (or other relevant document) so that you can copy the exact endorsement on the photocopy. Because the endorsement can be found anywhere on the I-94, it can be difficult to locate. You should note that although the endorsement may also be on the student's or parent's passport, it *must* be on the I-94.

NOTE - Due to a typographical error, the Form I-688 was incorrectly referred to as the "Form I-668" in the 1987-88 Handbook.

INS offices do not have uniform procedures or stamps. You should contact your local INS office if you have questions regarding the acceptability of citizenship documentation.

UPDATING CITIZENSHIP STATUS IN LATER AWARD YEARS

There are several cases in which you must verify a student's citizenship status for each award year, to ensure that the student continues to be eligible for OSFA funds.

Updating the Temporary Form I-551

A student who presented a Temporary Form I-551 in a prior award year should have received a permanent I-551 by the next year, and should not still be holding a temporary card. If a returning student presents a Temporary I-551 again a year later, you should refer the student to INS. When the student returns, he or she should have received a permanent I-551 or should have had his or her temporary card updated with a valid I-551 endorsement as described on page 83 for a passport or an I-94.

I-551 with baby picture

If the student has an I-551 with a baby picture, you should suggest that the student update the I-551 with INS. Permanent residents are expected to obtain a new picture and be fingerprinted at the age of 14. However, you may pay a student who has an I-551 with a baby picture, if you can confirm that the I-551 with the baby picture belongs to the student by comparing it to a current photo ID that has the student's name, date of birth, and signature. (The current photo ID must also be consistent with any identifying information in the student's file at the school.)

Refugees, asylees, Cuban-Haitian entrants

You must also document the citizenship status each award year for a refugee, a Cuban-Haitian Entrant, or a person granted asylum. In each of these categories, the student may have been adjusted to permanent resident status or may have had his or her status revoked.

You do not have to document a student's citizenship status in subsequent award years if you have previously documented that a student is a U.S. citizen or national, a permanent resident of the Trust Territory (Palau), or has a Form I-551 or I-151.

ADDITIONAL INFORMATION

In the following pages we have included several reference materials that you may find helpful: ***1.*** A summary chart of the documentation requirements discussed in this appendix. ***2.*** Examples of the principal types of documentation discussed in this chapter. ***3.*** A list of INS offices and addresses.

SUMMARY CHART OF ACCEPTABLE DOCUMENTATION

Note that a G-641 can be acceptable documentation of the student's status as a citizen, permanent resident, or other eligible non-citizen. However, the G-641 is being phased out by INS. As an alternative for a student who is having trouble obtaining replacement INS documents, the student may use a G-639 to request photocopies of the original documentation.

CITIZEN NOT BORN IN U.S.

Certificate of Citizenship	Must have student's name and application number, certificate number, and the date the certificate was issued.
Certificate of Naturalization	Must have student's name and petition number, certificate number, INS Alien Registration Number, name of the court (and date) where naturalization occured.
"Certification of Birth Abroad" Form FS-545, DS-1350, or FS-240	Must have embossed seal reading "United States of America" and "State Department." The FS-240 is titled "Report of Birth Abroad."
U.S. Passport	

NON-CITIZEN NATIONAL

U.S. Passport	Must be stamped "Non-citizen National."

PERMANENT RESIDENT

"Alien Registration Receipt Card" Form I-151, I-551, or I-551C	The I-551 and the I-551C must have currently valid expiration dates.
U.S. Passport	Must be stamped "Processed for I-551" with expiration date.
I-94	Must be stamped "Processed for I-551" with expiration date, or "Temporary Form I-551," with appropriate information filled in.

OTHER ELIGIBLE NON-CITIZEN

"Temporary Resident Card" Form I-688	Must have expiration date.
"Arrival-Departure Record" Form I-94	Must be stamped as a Refugee, Asylum Status, Conditional Entrant (before April 1, 1980), Parollee, Cuban-Haitian Entrant.
Court order or INS letter confirming suspension of deportation	Either a copy of the order from the Immigration Judge, or a letter from the district INS office, with appropriate information.

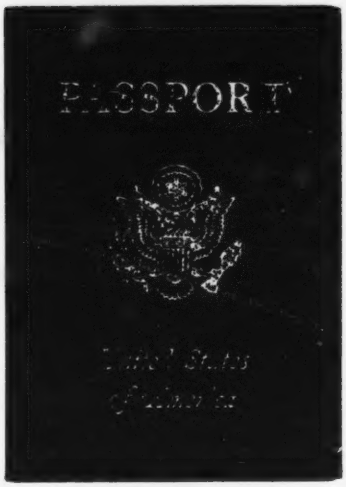
CITIZEN NOT BORN IN U.S./NON-CITIZEN NATIONAL

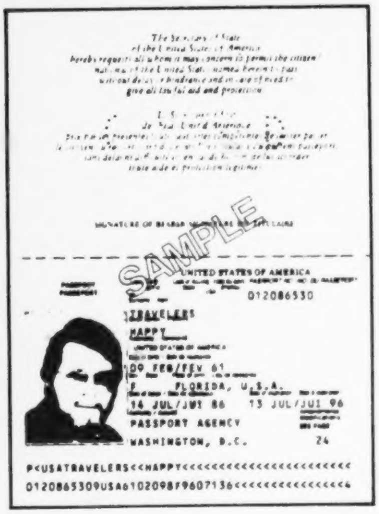
U.S. Passport

Can be used to document citizenship for citizen born abroad.

For non-citizen national -- must be stamped "Non-citizen National"

(A U.S. passport may also be used to document permanent resident status, if it has the endorsement "Processed for I-551" and has a currently valid expiration date.)




The Secretary of State of the United States of America hereby requests all whom it may concern to permit the citizen/national of the United States named herein to pass without delay or hindrance and in case of need to give all lawful aid and protection.

SAMPLE

UNITED STATES OF AMERICA

012086530

TRAVELERS

HAPPY

UNITED STATES OF AMERICA

09 FEB/FEV 61

F FLORIDA, U.S.A.

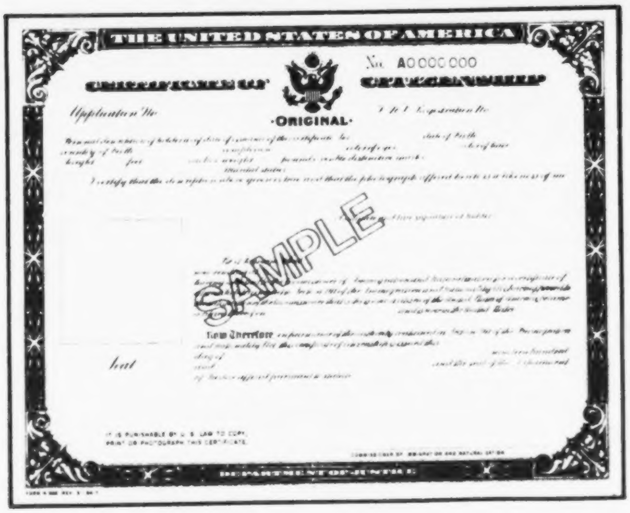
14 JUL/JUI 86 13 JUL/JUI 96

PASSPORT AGENCY

WASHINGTON, D.C. 24

P<USATRAVELERS<<HAPPY<<<<<<<<<<<<<<<<<<<<<<<<

0120865309USA6102098F9607136<<<<<<<<<<<<<<<<4


THE UNITED STATES OF AMERICA

No. A0 000 000

·ORIGINAL·

SAMPLE

IT IS PUNISHABLE BY U.S. LAW TO COPY, PRINT OR PHOTOGRAPH THIS CERTIFICATE.

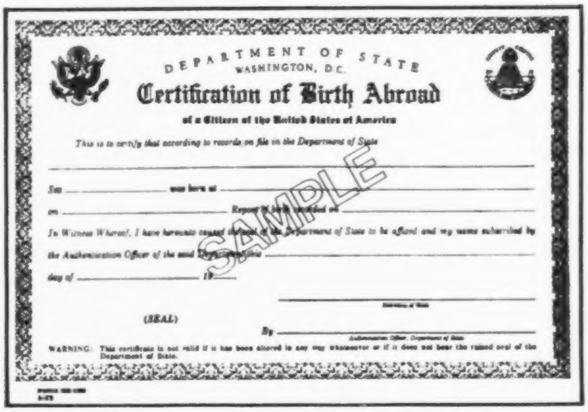
Certificate of Citizenship or Naturalization

The Certificate of Citizenship is issued to persons who were born abroad of U.S. parent(s); who became citizens when their parents were naturalized; or who were adopted by U.S. parents.

The Certificate of Naturalization is issued to naturalized U.S. citizens.

Certification of Birth Abroad

Issued to U.S. citizens born abroad. Must have embossed seal of the State Department.


DEPARTMENT OF STATE
WASHINGTON, D.C.

Certification of Birth Abroad

of a Citizen of the United States of America

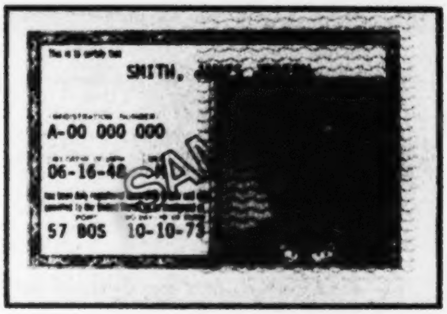
This is to certify that according to records on file in the Department of State

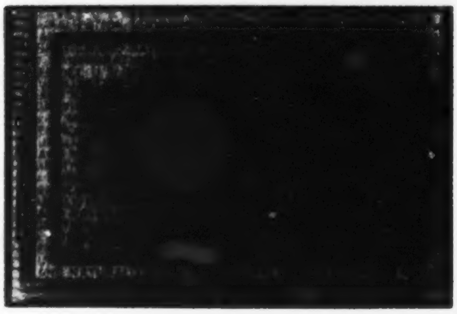
SAMPLE

(SEAL)

By

WARNING: This certificate is not valid if it has been altered in any way whatsoever or if it does not bear the raised seal of the Department of State.


SMITH,
A-00 000 000
06-16-48
SAMPLE
57 BOS 10-10-73



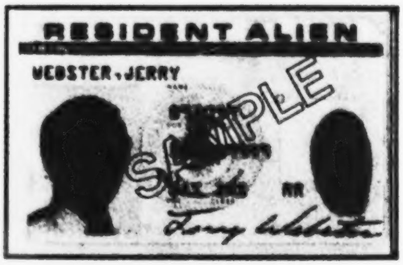
Alien Registration Receipt Card I-151

Issued prior to June 1978 to permanent residents. No longer issued, but valid indefinitely. Often referred to as a "green card," though it is not always green.

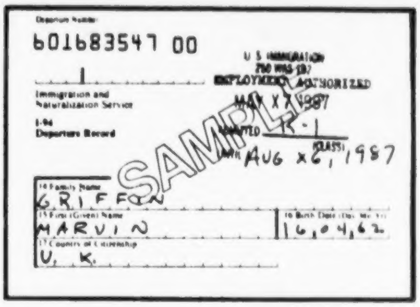
Alien Registration Receipt Card I-551 (Resident Alien Card)

Issued to permanent residents. The I-551 is a revised version of the I-151. Often referred to as a "green card," though it is not always green.

The "Conditional Resident Alien Card" is an I-551 that is issued to conditional permanent residents such as alien spouses. This card is identified by a "C" on the front, and has an expiration date on the back.


RESIDENT ALIEN
WEBSTER, JERRY
SAMPLE

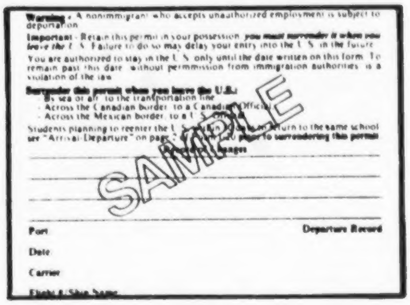
PERMANENT RESIDENT/OTHER ELIGIBLE NON-CITIZEN


Departure Number
601683547 00
Immigration and Naturalization Service
I-94
Departure Record

U S IMMIGRATION
EMPLOYMENT AUTHORIZED
MAY X 7 1987
ADMITTED R-1
(CLASS)
UNTIL AUG X6, 1987

14 Family Name
GRIFFON
15 First (Given) Name
MARVIN
16 Birth Date (Day Mo Yr)
16,04,62
17 Country of Citizenship
U. K.

SAMPLE


Warning - A nonimmigrant who accepts unauthorized employment is subject to deportation.

Important - Retain this permit in your possession; *you must surrender it when you leave the U.S.* Failure to do so may delay your entry into the U.S. in the future.

You are authorized to stay in the U.S. only until the date written on this form. To remain past this date, without permission from immigration authorities, is a violation of the law.

Surrender this permit when you leave the U.S.:
- By sea or air, to the transportation line
- Across the Canadian border, to a Canadian Official
- Across the Mexican border, to a U.S. Official

Students planning to reenter the U.S. within 30 days to return to the same school, see "Arrival-Departure" on page 2 of Form I-20 prior to surrendering this permit.

Record of Changes

Port
Date
Carrier
Flight #/Ship Name

Departure Record

SAMPLE

I-94 Arrival-Departure Record

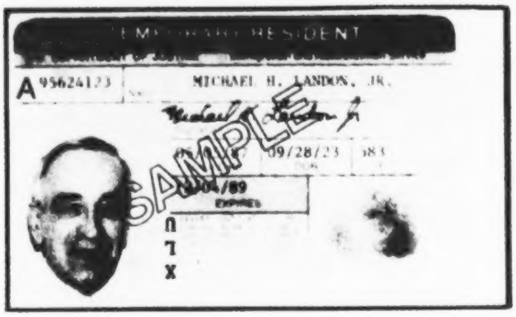
For permanent resident status -- must be stamped "Processed for I-551" with expiration date, or "Temporary Form I-551," with appropriate information filled in.

For other eligible non-citizens -- must be stamped as Refugee, Asylum Status, Conditional Entrant (before April 1, 1980), Parollee, Cuban-Haitian Entrant.

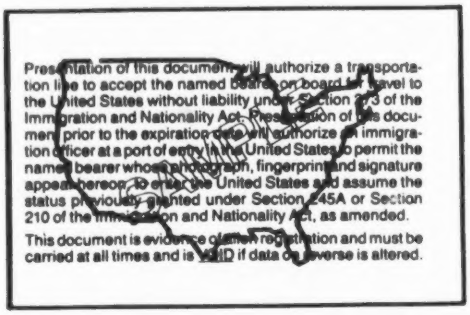
OTHER ELIGIBLE NON-CITIZEN

Temporary Resident Card I-688

Issued to aliens who are granted temporary resident status under the Immigration and Reform Control Act of 1986. Note that a student with an "Employment Authorization Card" (I-668A) *is not eligible* for OSFA funds.


TEMPORARY RESIDENT
A 95624123
MICHAEL H. LANDON, JR.
Michael H. Landon Jr
09/28/23
583
04/89
EXPIRES

SAMPLE


Presentation of this document will authorize a transportation line to accept the named bearer on board for travel to the United States without liability under Section 273 of the Immigration and Nationality Act. Presentation of this document prior to the expiration date will authorize an immigration officer at a port of entry in the United States to permit the named bearer whose photograph, fingerprint and signature appear hereon, to enter the United States and assume the status previously granted under Section 245A or Section 210 of the Immigration and Nationality Act, as amended.

This document is evidence of alien registration and must be carried at all times and is VOID if data on reverse is altered.

SAMPLE

IMMIGRATION AND NATURALIZATION SERVICE

REGIONAL COMMISSIONERS

EASTERN REGION
Stanley McKinley,
Elmwood Avenue
Burlington, VT 05401
FTS 832-6201
(802) 951-6201

SOUTHERN REGION
Stephen H. Martin
Skyline Center Bldg. C
311 N. Stemmons Freeway
Dallas, TX 75207
FTS 729-6001
(214) 767-6001

WESTERN REGION
Hal Ezell
Terminal Island
San Pedro, CA 90731
FTS 795-6527
(213) 514-6527

NORTHERN REGION
James L. Buck
Federal Building
Fort Snelling
Twin Cities, MN 55111
FTS 725-3850
(612) 725-4451

CENTRAL OFFICE FOIA REQUESTS

Immigration and
Naturalization Service
FOIA/PA Rm. 5114
425 I Street, N.W.
Washington, D.C. 20536

DISTRICT DIRECTORS

ANCHORAGE, AK 99513
Gary Johnson
New Federal Building
701 C St., Room D229
(907) 265-4387
(907) 271-5029

ATLANTA, GA 30303
Louis Richard
Richard B. Russell
Fed. Office Bldg. S.1408
75 Spring St. SW
242-2788
(404) 221-2788

BALTIMORE, MD 21201
Raymond Penn
E.A. Garmatz Fed. Bldg.
101 W. Lombard
922-2010
(301) 962-2010

BOSTON, MA 02203
Charles Cobb
J.F.K. Federal Bldg.
Government Center
835-3131
(617) 565-3131

BUFFALO, NY 14202
Benedict Ferro
68 Court Street
437-4741
(716) 846-4741

HARLINGEN, TX 78550
Omar G. Sewell
2102 Teege Avenue
734-4591
(512) 425-7333

HELENA, MT 59626-0036
Marvin Mohrman
Federal Build., Rm 512
301 S. Park, Drawer 10036
585-5288
(406) 449-5288

HONOLULU, HI 96809
Walter Craig
P.O. Box 461
595 Ala Moana Blvd.
(808) 546-8979
(808) 546-8979

HOUSTON, TX 77004
Ronald G. Parra
2627 Caroline Street
526-6917
(713) 750-1916

KANSAS CITY, MO 64106
Ronald Sanders
Suite 1100
324 E. Eleventh St.
891-9312
(816) 891-9312

PHILADELPHIA, PA 19106
Lyle Karn
Rm. 1321 U.S. Courthouse
601 Market Street
597-7305
(215) 597-7305

PHOENIX, AZ 85025
Ruth Anne Myers
Federal Building
230 N. First Avenue
261-3114

PORTLAND, OR 92709
Carl Houseman
Federal Office Bldg.
511 N.W. Broadway
423-2155
(503) 221-2155

ST. PAUL, MN 55101
Gerald Coyle
932 New P.O. Bldg.
180 E. Kellogg Blvd.
725-7115
(612) 725-7115

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The Federal Student Financial Aid Handbook

Chapter Three
The State Grant Programs

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INTRODUCTION

This chapter covers the State Student Incentive Grant (SSIG), The Robert C. Byrd Honors Scholarship, and the Paul Douglas Teacher Scholarship Programs. The SSIG and Byrd Scholarship Programs are authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended; the Douglas Program is authorized under Title V of the Act, as amended.

How the Programs are Funded

Students apply for financial assistance from these three programs through the appropriate educational assistance agency in their States. Under the SSIG Program, Federal funding is matched by each State on at least a 50-50 ratio. Under the Byrd Program, the Secretary of Education makes grants to States to enable those States to award scholarships to individuals who have demonstrated outstanding academic achievement. Under the Douglas Program, the Secretary makes grants to States to enable those States to award scholarships to outstanding high school graduates who demonstrate an interest in teaching.

SECTION ONE:
SSIG PROGRAM

PROGRAM OPERATIONS

Purpose of Program

The State Student Incentive Grant (SSIG) Program assists States in providing grants and work-study assistance—through community service/learning job programs—to eligible students who attend institutions of higher education and have substantial financial need. (These State programs carry a variety of names which do not necessarily include the words "student incentive grants" as part of the program titles.) The SSIG student aid network operates throughout the 50 States, the District of Columbia, Puerto Rico, and the Virgin and Pacific Islands.

State Funding Ratios

SSIG operations vary from State to State, according to the size and maturity of grant programs managed by the individual States. During the 1987-88 academic year, the SSIG nationwide appropriation equaled 5.2 percent of the nation's State payout for need-based grants ($75.7 million for SSIG, compared to $1.45 billion in State payout, according to the *Nineteenth Annual Survey of the National Association of State Scholarship and Grant Programs*). The ratios of SSIG to State funds range from 5 percent or less in Illinois, Indiana, Iowa, Massachusetts, Michigan, Minnesota, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Vermont, and Wisconsin, to more than 40 percent in 11 States and the District of Columbia.

Because of the variations in State programs, student and institutional inquiries about SSIG and other State grant, scholarship, and work-study assistance should generally be directed to the State agencies listed in Section Four of this chapter, instead of to the Department of Education.

To help institutional financial aid administrators understand the variety of State practices, this section describes some of the conditions and regulations that affect State program operations.

Available Funds

State Funding Allotments

States receive annual SSIG allotments (formula grants) from the Department of Education, based on each State's eligible postsecondary education enrollments. The Federal allotments must be matched by State-appropriated funds, and this matching must represent an increase in the State's grant and work-study expenditure over the amount spent during an established base year (defined as the second year before the State began participating in the SSIG Program). Also, the State must maintain its expenditures in this Program at the level of the average for the preceding three fiscal years, or at the level of the average per full-time equivalent student for those years.

Matching must be in auditable dollar amounts; tuition waivers or remissions may be considered grants only if money actually changes hands from State to institution to student, and if this transfer can be documented as a cash transaction in the appropriate records at each level.

Community Service/Job Learning Program

Each year, a State may use up to 20 percent of its allotment for a community service/learning job program. The student must receive compensation for work, and not a grant. The job program must be administered by institutions of higher education in the State, and each student employed under the program must be employed in work in the public interest; the employer may be an institution, or a Federal, State, or local public agency or private nonprofit organization under an arrangement between the institution and the agency or organization.

Identification of Jobs to Improve Community Life

Institutions of higher education, in consultation with local non-profit, governmental, and community-based organizations, identify areas in direct service, planning, or research, for jobs that are designed to improve the quality of life for residents (particularly low-income residents) of the community served.

Each community service/learning job must:

- ☐ Provide participating students community service/learning opportunities related to their educational or vocational programs or goals;

☐ Be governed by conditions of employment that are considered appropriate and reasonable, based on such factors as type of work performed, geographic region, and proficiency of the employee;

☐ Pay at least the current Federal minimum wage as mandated by the Fair Labor Standards Act of 1938;

☐ Not result in the displacement of employed workers or impair existing contracts for service; and

☐ Not involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction.

Funding Reallotment

Basic SSIG allotments not used by one State are reallotted to other qualified States. Within the constraints of Federal appropriations, States are free to schedule their own funding cycles for students, but funds may not be carried over from one fiscal year to the next. However, they may be used for summer terms, provided they are obligated within the program year (July 1 through June 30) for which they were appropriated.

Administrative Patterns

There are two ways in which a State may choose to administer its program: it may choose to use a centralized administrative pattern or a decentralized administrative pattern, or it may choose a combination of both. Whichever method is used, all SSIG Federal funds and State matching funds should be used for student awards.

Centralized Administration

Most States, particularly those with well-established State student assistance programs, use a centralized administrative pattern: A single State agency receives and processes student applications, notifies students of awards, verifies attendance and makes disbursements, and keeps complete records on all student awards.

Decentralized Administration

In other States, particularly those with relatively new State programs, the designated State agency delegates certain functions to participating institutions. In these cases, funds available through the State agency are generally sub-allocated to eligible institutions on the basis of enrollment and/or need formulas. The institutions recommend SSIG recipients to the State agency, which approves individual awards from these fund allotments.

Location of Student Files

In the centrally-administered State programs, actual student files are located in the State agency. In the decentralized form of State administration, where institutions process much of the student information, the financial aid administrator gives the State agency the information needed for formal approval of individual student awards. In either case, to monitor the use of SSIG funds, student files at institutions are examined to verify that recipients met all eligibility criteria and received the correct award amount.

Student Application Procedures and Awards

Students apply to the State agency either directly or through the institution. Every award requires the official State agency's formal approval, based on a determination of need. (Section Four of this chapter contains a listing of these State agencies.)

Maximum Student Awards

The maximum award that a student may receive is $2,500 per academic year. Most States limit SSIG awards to undergraduates attending at least half-time. However, at each State's option, graduate and less-than-half-time students may also be eligible to receive SSIG awards. The maximum award is reduced accordingly for students who attend less than full-time.

States may determine whether to make individual SSIG awards that vary according to student need, or to give a set amount to all students who meet the established need criteria.

State Criteria for Determining Substantial Need

Student recipients are selected annually on the basis of substantial need, according to criteria established by the State and approved by the Department of Education. A State may define need in terms of income, expected family contribution, or relative need, as measured by cost of attendance minus available resources. Regardless of which need analysis system the State selects, the designated State agency is responsible for final approval of individual student recipients, thus allowing each State to develop consistent methods in awarding aid to candidates throughout the State.

Need Analysis Systems

Most States measure need using a single need analysis system for all applicants. However, in decentralized programs, where institutions recommend student candidates for awards subject to the designated State agency's approval, student applications may be processed according to the different need analysis systems used by the various institutions. In any event, the designated State agency has final authority for selecting recipients who meet the need criteria under standards established for the State-wide program.

State and Institutional Records of Student Recipients

State agencies responsible for administering SSIG funds must be able to document their decisions and disbursements from their own central records, from institutional records, or from both. Variations of student/institutional rosters are often sent back and forth between the State agency and the institutions to verify attendance, provide information related to student need, document disbursement of funds to students or to student accounts, guard against overawards, and help provide required records and reports.

INSTITUTIONAL PARTICIPATION & STUDENT ELIGIBILITY

Within the limits of Federal financial aid regulations, States determine eligibility standards in terms of their own fiscal, constitutional, and statutory restraints.

Institutional Participation

All nonprofit institutions of higher education and all postsecondary vocational institutions in a State are eligible to participate, except when participation violates the State's constitution or a State law enacted before October 1, 1978. States are not required to include proprietary (for profit) institutions in their State programs; however, 26 States now make SSIG awards available to students attending such institutions.

Other Factors Affecting Participation

Institutional participation may also be affected by some States sub-allocating available SSIG funds to the various types of institutions on the basis of enrollment, need, the availability of other non-SSIG aid, and other relevant criteria. In such instances, money not claimed for student awards at one school may be reclaimed by the State and reassigned to other schools.

Student Eligibility

Student eligibility to receive aid from the SSIG Program differs from State to State according to constitutional, statutory, or policy restrictions. (Some States have legislated formulas for determining student eligibility and the amount of assistance given to individual students.)

Factors Determining Eligibility

Factors that may determine whether a student is eligible for an SSIG award include the State's definition of substantial need, the method of determining maximum awards, and the costs that can be covered. Some States limit awards to the cost for tuition and fees; others include allowances for room and board and other costs. Some have allowances for commuters. Many State grant programs exclude part-time students and those who attend schools outside the State. Some States have reciprocal arrangements with neighboring States, so that students may receive SSIG funds from their home State even though they are enrolled in an educational program in another State.

Certifying Fiscal Responsibility and Student Academic Progress

States are given considerable leeway in the way they verify fiscal responsibility and student academic progress for the SSIG Program. However, participating institutions must meet the Federal standards of fiscal responsibility (see Chapter 2 - General Provisions) and must be able to certify that student aid recipients are making satisfactory academic progress. Institutions must also be able to certify that student aid recipients do not owe a refund on an SSIG, Pell, or Supplemental Educational Opportunity Grant, and are not in default on a loan made under the Perkins Loan (formerly the National Direct Student Loan) Program, the Guaranteed Student Loan, PLUS or SLS Loan, Consolidation Loan, or Income Contingent Loan Programs at any institution.

Student Certification of Academic Progress

Students who apply for aid in States with centrally administered programs may be required to certify that they are maintaining satisfactory academic progress, that they are not in default on a loan, and that they do not owe a refund on a grant. Institutions would then confirm these items when they certify attendance before the students receive their award money. In decentralized programs, students are certified when the institutions recommend them for SSIG awards. As a further precaution, institutions notify the State agency whenever a student leaves school or fails to maintain satisfactory academic progress.

Simple Certification of Student Eligibility

Simple certification concerns the applicant's eligibility to receive an award. It does not extend to exceptional cases or to subsequent refunds or defaults, which are handled according to State/institutional agreements. States may, at their option and with appropriate documentation, if necessary, consider the following to be acceptable practices for certifying student eligibility in terms of academic progress, grant refunds, and loan defaults:

- ☐ The State may assume satisfactory academic progress if the student is accepted for admission or for continued enrollment in a course of study that is not longer than two academic years.
- ☐ If a student is receiving SSIG aid but is not receiving other types of Title IV aid, the State policies concerning satisfactory progress or refunds apply. In addition, an otherwise eligible student who is enrolled in a course of study that is longer than two academic years and who will receive an SSIG for the first time for the award year beginning July 1, 1988 must—at the end of his or her second academic year—have a cumulative grade point average of "C" or its equivalent,

or an academic standing consistent with the institution's graduation requirements.

If a student loses eligibility for failing to meet these requirements, he or she may regain his or her eligibility if the institution determines at the end of a subsequent grading period that the student has achieved academic standing consistent with the institution's graduation requirements and its other satisfactory progress standards.

If a student fails to meet the above requirements, an institution may still determine that the student is maintaining satisfactory progress if it finds that the student's failure was because of an undue hardship caused by personal injury or illness, the death of a relative, or by other special circumstances. The institution must evaluate the student's satisfactory progress at the end of each academic year.

In cases where SSIG funds are combined with other Title IV student assistance, the financial aid administrator should follow the procedures in the Tuesday, December 1, 1987 General Provisions regulations regarding satisfactory academic progress, refunds, and defaults. Listed below is a brief summary of those procedures. They are covered in much greater detail in Chapter Two of this *Handbook*.

☐ For a student who received Title IV aid during an award year (or for a period of enrollment—for the GSL, PLUS, or SLS Programs) beginning before July 1, 1987, if—in their current aid package—Pell Grant, SEOG, CWS, Perkins, GSL, PLUS, or SLS funds are involved with SSIG funds, the appropriate program regulations apply concerning satisfactory progress.

If a student has not received Title IV assistance during an award year (or for a period of enrollment—for the GSL, PLUS, or SLS Programs) beginning before July 1, 1987, then the Tuesday, December 1, 1987 General Provisions regulations would apply.

☐ If a student owes a refund on a Pell Grant, SEOG, or SSIG overpayment, that student is eligible to receive Title IV assistance if (a) the student is otherwise eligible to receive aid under the programs, and (b) the institution can eliminate the overpayment in the award year in which it occurred.

In the case of a Pell Grant, the overpayment would have to be eliminated by adjusting subsequent Pell Grant payments for the award year. If the overpayment cannot be eliminated, the student could still receive Title IV aid if he or she acknowledges the overpayment, and agrees in writing to repay it within 6 months.

In the case of an SEOG or SSIG, the overpayment would have to be eliminated by adjusting subsequent financial aid payments (other than Pell Grants) in the same award period.

☐ If a student is in default on any loan made under the National Defense/Direct Student Loan (NDSL) , Perkins Loan, Income Contingent Loan (ICL), Guaranteed Student Loan (GSL), Federal Insured Student Loan (FISL), PLUS Loan, Supplemental Loans for Students (SLS), or Consolidation Loan Program, that student is eligible to receiveTitle IV assistance (including an SSIG) if (a) the student is otherwise eligible to receive aid under the programs, and (b) the student has made satisfactory arrangements to repay the loan.

In the case of a GSL, PLUS, SLS, or Consolidation Loan, the guarantee agency that holds the loan determines whether or not the student has made satisfactory arrangements to repay the loan. If, however, the defaulted loan in question is a FISL, it is held by the Department of Education, and the Secretary makes the determination of satisfactory arrangement to repay.

In the case of an NDSL (Defense/Direct), if the institution that made the loan still holds it, that institution certifies whether or not the student has made satisfactory arrangement to repay. If the loan has been assigned to the Department, the certification of satisfactory arrangement is made by the Secretary.

FISCAL AND REPORTING RELATIONSHIPS WITH THE STATE AGENCY

In general, fiscal and reporting relationships between participating institutions and the State agency vary according to whether the State's programs are administered according to a centralized or decentralized pattern. In either case, the State agency must be held accountable for the disbursement of Federal funds and for making the required reports to the Department of Education.

Financial Accounts

Institutional Responsibilities in Centralized Systems

As a minimum, even in the most centralized administrative pattern, institutions must supply assurances regarding student academic progress, the status of grant refunds, and the status of loan defaults; cooperate in packaging aid to avoid overawards; and document student acknowledgment of awards if funds are paid to the institution on behalf of the recipient.

Institutional Responsibilities in Decentralized Systems

In decentralized systems, where the State agency depends on the institution to help screen applicants, the institutional records must also supply need analysis documentation to justify formal approval of individual awards by the official State agency.

Institutional Adjustment of Awards

Individual student awards are subject to approval by the designated State agency; institutions may not transfer awards from one student to another without that agency's approval. Institutions and State agencies should maintain regular communication so that any funds that become available later in the year will be used for qualified students.

Return of Funds to ED

All SSIG funds (Federal plus State) recovered from overawards should be reissued to other qualified students during the applicable award period, unless records for the period have been closed. If these funds are not reissued to qualified students, the State must return the recovered Federal portion to the Department of Education.

Reports

The State agency requires certain institutional reports to document the disbursement of Federal funds to student recipients, to obtain information needed to improve efficiency in the operation of State programs, and to provide data for State budgets and for annual reports to the Department of Education.

The actual form and content of institutional reports will vary from State to State, depending upon, among other factors, the size and maturity of the State programs. There are no standard formats or channels for these institutional reports. For example, information about recipients by income level may come either from the central office records or from the institutions. Communication may follow established procedures or may be developed through cooperative efforts of State and institutional representatives.

Student and Institutional Inquiries

Specific information on State student financial assistance policy and practices, on student and institutional eligibility, and on grants to students attending out-of-State institutions is available from the SSIG State agency official contacts listed in Section Four of this chapter.

SECTION TWO:
ROBERT C. BYRD HONORS SCHOLARSHIP PROGRAM

Purpose of Program

The Robert C. Byrd Honors Scholarship Program is authorized under Title IV, Part A, Subpart 6 of the Higher Education Act of 1965, as amended. It is a Federally-funded program to promote student excellence and achievement by making available scholarships, through grants to States, to outstanding high school graduates for the first year of study at institutions of higher education.

APPLICATION PROCEDURES

There is no State application for funds for the Byrd Scholarship Program. In order to participate in the program, each State signs a participation agreement with the Secretary of Education.

The Secretary of Education makes grants to individual States. The student applies to the agency in the State in which he or she resides that is responsible for supervising public elementary and secondary schools in that State. All 50 States, the District of Columbia, and Puerto Rico are eligible to participate in the program. A complete list of agencies that administer the Byrd Scholarship Program is contained in Section Four of this chapter.

ELIGIBILITY OF SCHOLARS

To receive a Byrd Scholarship each student must:

☐ Be a graduate of a public or private secondary school or have the equivalent of a certificate of graduation as recognized by the State in which the student resides, and must have been admitted for enrollment at an institution of higher education; and

☐ Demonstrate outstanding academic achievement and show promise of continued academic achievement.

In addition to the above two requirements, the student must enroll at an institution of higher education, and, if the student is a male, he must sign a statement of registration status.

The State educational agency contacts the student's institution to verify that the student has met the enrollment requirement, and, if male, the registration requirement..

STIPENDS AND SCHOLARSHIP CONDITIONS

Amount of Award

Each student awarded a scholarship receives a stipend of $1,500 for the academic year of study for which the scholarship is awarded.

Condition of Receipt

The State educational agency establishes procedures to assure that the student awarded a scholarship pursues a course of study at an institution of higher education. If the Byrd Scholar enrolls (and files the Statement of Registration Status, if applicable), he or she is entitled to the full stipend of $1,500, even if he or she later withdraws, drops out, or is expelled. Section 668.22 of the General Provisions regulations, which covers the distribution formula for institutional refunds and for repayments of disbursements made to the student for noninstitutional costs, does not apply to the Byrd Scholarship Program. (Noninstitutional costs may include room and board for which the student does not contract with the institution, books, supplies, transportation, and miscellaneous expenses.)

Selection of Scholars

The various State educational agencies establish specific scholar selection criteria in consultation with school administrators, school boards, teachers, counselors, and parents. Byrd Scholars must be selected in such a way that all parts of a State are fairly represented, and that no part of a State has a disproportionate share of awards.

AMOUNTS ALLOTTED TO STATES FOR PAYMENT

The amount allotted for scholarship payments to each State is $1,500 multiplied by the number of scholarships the Secretary has assigned to the State. (No State shall receive fewer than 10 scholarships.) The Secretary assigns Byrd Scholarships to each State according to the following ratio:

$$\frac{\text{Number of scholarships made to the individual State}}{\text{Number of scholarships made to all States}} = \frac{\text{That individual State's school-aged population}}{\text{All States' school-aged population}}$$

PACKAGING OF BYRD SCHOLARSHIP WITH OTHER TITLE IV STUDENT FINANCIAL AID

A student's Byrd Scholarship of $1,500 may not be reduced by either the State agency or the financial aid administrator. If the Byrd Scholarship, when combined with other Title IV aid, resources, and the student's Expected Family Contribution (EFC), exceeds the student's cost of attendance, the Scholarship must then be used as a substitute for the student's EFC. If any overaward results after substituting the EFC with the Byrd Scholarship, the financial aid administrator must follow the overaward provisions in the campus-based program regulations.

SECTION THREE: PAUL DOUGLAS TEACHER SCHOLARSHIP PROGRAM

Purpose of Program

The Paul Douglas Teacher Scholarship Program is authorized under Title V, Part D of the Higher Education Act of 1965, as amended. It is a Federally-funded program that encourages outstanding high school graduates to pursue teaching careers at the pre-school, elementary school, or secondary school level by providing college scholarships to those students.

Application Procedures

Students apply for Paul Douglas scholarships through the designated State agency in the State in which they reside. The agency that administers the Paul-Douglas Scholarship Program may be the same agency that administers the SSIG Program or the GSL Program. A complete list of the agencies that administer the SSIG, Paul Douglas Teacher Scholarship, and Robert C. Byrd Honors Scholarship Programs, is available in Section Four of this chapter.

ELIGIBILITY REQUIREMENTS

To be selected as a scholar, an individual must:

☐ Be a U.S. citizen or National; provide evidence from INS that he or she is a permanent resident of the U.S. or is in the U.S. for other than a temporary purpose with the intention of becoming a U.S. citizen or permanent resident; or be a permanent resident of the Trust Territory of the Pacific Islands.

☐ Have graduated from high school, or be scheduled to graduate from high school within 3 months of the date of the award, and

☐ Rank in the top 10 percent of his or her graduating class.

Note: If the individual does not or did not attend high school, in lieu of items 2 and 3 above, that individual would have to both: a) have received a certificate of high school equivalency for successfully completing the Tests of General Educational Development (GED), and b) have received GED test scores that are recognized by the State as the equivalent to ranking in the top 10 percent of the high school graduates in the individual's State or nationally, in the academic year for which the eligibility determination is being made.

THE SELECTION PROCESS

Scholars must be selected by either:

- ☐ A seven-member Statewide panel appointed by the chief State elected official, acting in consultation with the State educational agency; or
- ☐ An existing grant agency or panel designated by the chief State elected official and approved by the Secretary of Education.

  Note: The selection panel must be made up of representatives of school administrators, teachers, and parents.

Selection Criteria and Procedures

The selection criteria and procedures are established by the appointed or designated panel or agency in consultation with State and local educational agencies, private educational institutions, and other interested parties. The criteria and procedures must reflect the present and projected needs of the State for preschool, elementary, and secondary teachers.

Each State makes applications available to its high schools and to other locations convenient to applicants, parents, and other interested parties. Applicants are selected without regard to whether they plan to attend publicly or privately controlled institutions.

DETERMINATION OF AWARD

If selected, a student can receive up to a maximum of $5,000 per academic year. The State agency, and not the student's institution, determines how much that student will actually receive. To determine the amount of the award for a particular academic year, the State agency will ask the student's institution for his or her cost of attendance, and the total amount of Title IV Federal student aid he or she has been awarded for that year.

The amount of the Douglas Scholarship combined with any other Title IV aid awarded to the student, may not exceed the student's cost of attendance. For example, if a student's cost of attendance is $10,000, and that student has been awarded $6,000 in Title IV aid, the State agency may award only $4,000 in Douglas Scholarship money to the student for that academic year.

PACKAGING OF DOUGLAS SCHOLARSHIP WITH OTHER TITLE IV AID

The Douglas Teacher Scholarship may not be substituted for the student's Expected Family Contribution (EFC). (For a more detailed explanation of the EFC, and on how financial aid is packaged, refer to Section Two in Chapter Two of this Handbook.) When packaging aid, the financial aid administrator must treat the Douglas Scholarship as he or she would treat any other type of scholarship. If the aid administrator becomes aware that the student is receiving a Douglas Scholarship prior to packaging aid for that student, the Scholarship is considered as a resource in determining the student's eligibility for campus-based assistance, and as estimated student financial assistance in certifying the student's eligibility for a Guaranteed Student Loan. If the aid administrator becomes aware of the Douglas Scholarship after packaging aid for the student, the administrator must adhere to the applicable overaward provisions in the Title IV regulations.

Following Applicable Overaward Provisions

SCHOLARSHIP RECIPIENT OBLIGATIONS

Teaching Obligation

To receive a scholarship an individual enters into an agreement with his or her State agency stating that upon completing his or her degree program, he or she will teach full-time at the preschool, elementary, or secondary level in a school or State educational program for a period of not less than two years for each year of scholarship assistance he or she receives. The school or program in which the individual teaches makes the determination as to whether or not the individual is teaching full-time. Individuals who teach on a full-time basis in a teacher shortage area designated as such by the Secretary, need only teach for one year for each year of scholarship assistance received.

The individual must fulfill the teaching obligation within 10 years after completing the postsecondary education degree for which the scholarship was awarded.

Other Terms

The individual also agrees to provide the State agency with evidence of compliance with the teaching obligation and eligibility requirements (which are discussed in the next subsection entitled "Maintaining Eligibility"). Further, the individual agrees to repay his or her scholarship plus interest and reasonable collection fees if the teaching obligation is not met, or if the State agency determines that the individual is no longer pursuing a course of study leading to certification as a teacher at the preschool, elementary, or secondary level (one of the eligibility requirements discussed below).

MAINTAINING ELIGIBILITY

To maintain eligibility to continue to receive a scholarship, the individual must be:

☐ Enrolled as a full-time student in an institution of higher education that is currently accredited by a nationally recognized accrediting agency or association that the Secretary determines to be a reliable authority as to the quality of training offered, in accordance with section 1201(a) of the Higher Education Act of 1965, as amended;

☐ Pursuing a course of study leading to certification as a teacher at the preschool, elementary, or secondary level as determined by the State agency; and

☐ Maintaining satisfactory progress as determined by the individual's institution, in accordance with the criteria established in the General Provisions regulations. For an explanation of satisfactory progress, see Section One in Chapter Two of this Handbook.

CONSEQUENCES OF NON-COMPLIANCE WITH THE STATE AGENCY/SCHOLAR AGREEMENT

Repayment of Scholarship

If the State finds that a scholar has not complied with the State agency/ scholar agreement, or is no longer pursuing a course of study leading to certification as a teacher at the preschool, elementary, or secondary level, the scholar must repay the amount of the scholarship received, prorated according to the fraction of the teaching obligation not completed as determined by the State agency. The scholar, in this case, is also responsible to pay a simple, per annum interest charge on the outstanding principal, and all reasonable collection costs as determined by the State agency. The State agency will capitalize any accrued interest at the time it establishes the scholar's repayment schedule.

Simple interest accrues from:

☐ The date of the initial scholarship payment if the State agency has determined that the scholar is no longer pursuing a course of study leading to certification as a teacher at the pre-school, elementary, or secondary level; or

☐ The day after that portion of the scholarship period for which the teaching obligation has been fulfilled.

Time Allotted for Repayment of Scholarship

The scholarship must be repaid in monthly or quarterly payments which cover principal, interest, and collection costs, according to a schedule established by the State. The minimum yearly repayment is $1,200 or the unpaid balance (whichever is less), unless the scholar's inability to pay because of his or her financial condition has been established to the State's satisfaction.

The scholarship must be completely repaid within 10 years. The State may require the scholar to repay more than the minimum yearly repayment if needed to complete the entire repayment within the 10 year period.

Exceptions to Repayment

The State agency will not consider that the scholar has violated the repayment schedule if he or she does not meet the payments during the time he or she is:

☐ Engaged in a full-time course of study at an institution of higher education;

☐ Serving up to a maximum of 3 years as an active duty member of the Armed Forces of the United States;

☐ Temporarily totally disabled, for a period not to exceed 3 years, as established by sworn affidavit of a qualified physician;

☐ Seeking but unable to find full-time employment for a single period not to exceed 12 months;

☐ Unable to secure employment for a period not to exceed 12 months while caring for a disabled spouse; or

☐ Unable to satisfy the terms of the repayment schedule while seeking but unable to find full-time employment as a teacher in: a) a public or private non-profit preschool, elementary, or secondary school, or b) a public or private nonprofit preschool, elementary, or secondary education program for a single period not to exceed 27 months.

Notifying the State Agency

To qualify for any of the previously listed exceptions, the scholar must notify the State agency of his or her claim and provide supporting documentation as required by the State agency. If the scholar qualifies under any of the exceptions, he or she will not be required to make repayments, nor will interest accrue on the outstanding balance.

Length of Extention

The State agency will extend the 10 year scholarship repayment period by a period equal to the length of time a scholar: a) meets any of the exception conditions listed above, or b) is unable to complete the scholarship repayments within this 10 year period because of his or her financial condition (as established to the State's satisfaction).

Cancellation

The State agency will cancel a scholar's repayment obligation if it determines that:

☐ On the basis of a sworn affidavit by a qualified physician, that the scholar is unable to teach on a full-time basis because of an impairment that is expected to continue indefinitely or result in death; or

☐ On the basis of a death certificate or other evidence—conclusive under State law—that the scholar has died.

SECTION FOUR:
DIRECTORY OF STATE AGENCIES

Listed below for each State, are the agencies responsible for administering the SSIG, Paul Douglas Teacher Scholarship, and Robert C. Byrd Honors Scholarship Programs in that State, along with a contact person for each agency. In most cases, the official listed is the program official, designated as such by a "(P)" in front of his or her name. In a few instances, when there is no program official, the official listed will be the senior agency official. That person will be designated as such by an "(A)" in front of his or her name.

ALABAMA

SSIG Program:

ALABAMA COMMISSION ON
HIGHER EDUCATION
Suite 221, One Court Square
Montgomery, Alabama 36197-0001
TEL: (205) 269-2700

(P) Ms. Jan B. Hilyer
Staff Assistant for Student
Assistance

Douglas Program:

Not participating

Byrd Scholarship:

STATE DEPARTMENT OF EDUCATION
111 Coliseum Boulevard
Montgomery, Alabama 36197-0001
TEL: (205) 261-2746

(P) Mr. John W. Howard

ALASKA

SSIG Program:

ALASKA COMMISSION ON
POSTSECONDARY EDUCATION
Post Office Box FP
Juneau, Alaska 99811
TEL: (907) 465-2854

(P) Ms. Jane Byers Maynard
Assistant Director of Programs

Douglas Program:

ALASKA COMMISSION ON
POSTSECONDARY EDUCATION
P.O. Box FP
Juneau, Alaska 99811
TEL: (907) 465-2854

(P) Dr. Kerry D. Romesburg
Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
P.O. Box F
Juneau, Alaska 99811
TEL: (907) 465-2841

(P) Ms. Sandra Berry
Program Coordinator

ARIZONA

SSIG Program:

ARIZONA COMMISSION FOR
POSTSECONDARY EDUCATION
3030 North Central Ave., Suite 1407
Phoenix, Arizona 85012
TEL: (602) 255-3109

(P) Mr. Louie R. Bustillo
Education Program
Compliance Officer

Douglas Program:

POSTSECONDARY EDUCATION
3030 North Central Ave., Suite 1407
Phoenix, Arizona 85012
TEL: (602) 255-3109

(P) Dr. Richard R. Erbschloe
Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
1535 West Jefferson
Phoenix, Arizona 85007
TEL: (602) 255-4770

(P) Mr. Jim Brunstein
Associate Superintendent

ARKANSAS

SSIG Program:

ARKANSAS DEPARTMENT OF
HIGHER EDUCATION
1220 West Third Street
Little Rock, Arkansas 72201
TEL: (501) 371-1441

(P) Ms. Rosemary McGinnis
Assistant Coordinator

Douglas Program:

ARKANSAS DEPARTMENT OF
HIGHER EDUCATION
1220 West Third Street
Little Rock, Arkansas 72201
TEL: (501) 371-1441

(P) Ms. Becky Collins
Student Aid Analyst

Byrd Program:

ARKANSAS DEPARTMENT
OF EDUCATION
4 Capitol Mall
Little Rock, Arkansas 72201
(501) 371-1464

(P) Mr. Charles D. Watson
Supervisor

CALIFORNIA

SSIG program:

CALIFORNIA STUDENT AID
COMMISSION
1515 S Street, North Bldg.
Suite 500, P.O. Box 942845
Sacramento, California 94245-0845
TEL: (916) 445-0880

(P) Mr. Scott Freedman
Deputy Director, Grants

Douglas Program:

CALIFORNIA STUDENT AID COMMISSION
1515 S Street, North Bldg.
Suite 500, P.O. Box 942845
Sacramento, California 94245-0845
TEL: (916) 445-0880

(P) Mr. Samuel M. Kipp, III
Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
721 Capitol Mall
Sacramento, California 95814
TEL: (916) 445-4338

(P) Mr. Bill Honig
Superintendent

COLORADO

SSIG Program:

COLORADO COMMISSION ON HIGHER EDUCATION
Colorado Heritage Center
1300 Broadway, 2nd Floor
Denver, Colorado 80203
TEL: (303) 866-2723

(P) Ms. Debra Wiley
Director, Student Services

Douglas Program:

COLORADO COMMISSION ON HIGHER EDUCATION
Colorado Heritage Center
1300 Broadway, 2nd Floor
Denver, Colorado 80203
TEL: (303) 866-2723

(P) Ms. Debra Wiley
Director, Student Services

Byrd Program:

STATE DEPARTMENT OF EDUCATION
201 East Coldfax Avenue
Denver, Colorado 80203
TEL: (303) 866-6806

(P) Mr. Calvin M. Frazier
Commissioner

CONNECTICUT

SSIG Program:

CONNECTICUT DEPARTMENT OF HIGHER EDUCATION
61 Woodland Street
Hartford, Connecticut 06105
TEL: (203) 566-2618

(P) Mr. John J. Siegrist
Director of Student
Financial Aid

Douglas Program:

CONNECTICUT DEPARTMENT OF HIGHER EDUCATION
61 Woodland Street
Hartford, Connecticut 06105
TEL: (203) 566-2618

(P) Mr. John J. Siegrist
Director of Student
Financial Aid

Byrd Program:

CONNECTICUT DEPARTMENT OF
HIGHER EDUCATION
61 Woodland Street
Hartford, Connecticut 06105
TEL: (203) 566-2618

(P) Mr. John J. Siegrist
Director

DELAWARE

SSIG Program:

DELAWARE POSTSECONDARY
EDUCATION COMMISSION
Carvel State Office Building
820 North French Street, 4th Floor
Wilmington, Delaware 19801
TEL: (302) 571-3240

(P) Ms. Marilyn R. Baker
Associate Director

Douglas Program:

DELAWARE POSTSECONDARY
EDUCATION COMMISSION
Carvel State Office Building
820 North French Street
Wilmington, Delaware 19801
TEL: (302) 571-3240

(P) Mr. John F. Corrozi
Executive Director

Byrd Program:

STATE DEPARTMENT OF
PUBLIC INSTRUCTION
Post Office Box 1402
Dover, Delaware 19903
TEL: (302) 736-4688

(P) Mr. Erv Marsh

DISTRICT OF COLUMBIA

SSIG Program:

DEPARTMENT OF HUMAN
SERVICES
1331 H Street, N.W., Suite 600
Washington, D.C. 20005
TEL: (202) 727-3688

(P) Jane E. Andersen
Program Manager
D.C. State Student Incentive
Grant Section

Douglas Program:

DEPARTMENT OF HUMAN
SERVICES
Office of Postsecondary
Education, Research and
Assistance
1331 H Street, N.W., Suite 600
Washington, D.C. 20005

(P) Ms. Eloise C. Turner,
Chief
TEL: (202) 727-3685

Byrd Program:

District of Columbia Public Schools
415 12th Street, N.W.
Washington, D.C. 20004
TEL: (202) 724-4201

(P) Ms. Florence T. Ridley
Director

FLORIDA

SSIG Program:

FLORIDA DEPARTMENT OF EDUCATION
Office of Student Financial Assistance
Knott Building
Tallahassee, Florida 32399
TEL: (904) 488-1034

(P) Dr. M. Elizabeth Sweeney
Administrator of State Programs

Douglas Program:

FLORIDA DEPARTMENT OF EDUCATION
Office of Student Financial Assistance
Knott Building
Tallahassee, Florida 32399
TEL: (904) 488-5160

(P) Mr. Larry Arnold
Administrator, Federal Programs

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Knott Building
Tallahassee, Florida 32399
TEL: (904) 488-5160

(P) Mr. Larry Arnold
Administrator

GEORGIA

SSIG Program:

GEORGIA STUDENT FINANCE AUTHORITY
State loans & Grants Division
2082 East Exchange Place
Suite 200
Tucker, Georgia 30084
TEL: (404) 493-5451

(P) Robert G. McCants
Acting Executive Director

Douglas Program:

GEORGIA STUDENT FINANCE AUTHORITY
State loans & Grants Division
2082 East Exchange Place
Suite 200
Tucker, Georgia 30084
TEL: (404) 493-5451

(P) Mr. Robert G. McCants
Acting Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Twin Towers East
Atlanta, Georgia 30334
TEL: (404) 656-5812

(P) Mr. Lonnie Love
Administrator

HAWAII

SSIG Program:

HAWAII STATE POSTSECONDARY EDUCATION COMMISSION
2444 Dole Street, Room 209
Honolulu, Hawaii 96822
TEL: (808) 948-8213

(P) Mr. Carl H. Makino
Administrative Assistant to the Commission

Douglas Program:

Not participating

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Post Office Box 2360
Honolulu, Hawaii 96804
TEL: (808) 373-2487

(P) Ms. Nancy Yuen
Educational Specialist

IDAHO

SSIG Program:

OFFICE OF THE STATE BOARD OF EDUCATION
Len B. Jordan Building, Room 307
650 West State Street
Boise, Idaho 83720
TEL: (208) 334-2270

(P) Ms.Barbara Curtis
Personnel/Business Officer

Douglas Program:

OFFICE OF THE STATE BOARD OF EDUCATION
Len B. Jordan Building, Room 307
650 West State Street
Boise, Idaho 83720
TEL: (208) 334-2270

(P) Ms.Barbara Curtis
Personnel/Business Officer

Byrd Program:

STATE DEPARTMENT OF EDUCATION
650 West State Street
Boise, Idaho 83720
TEL: (208) 334-3300

(P) Mr. Tom Trotter
Comptroller

ILLINOIS

SSIG Program:

ILLINOIS STATE SCHOLARSHIP COMMISSION
106 Wilmot Road
Deerfield, Illinois 60015
TEL: (312) 948-8500

(P) Mr. Thomas Breyer
Director, Client Services

Douglas Program:

ILLINOIS STATE SCHOLARSHIP COMMISSION
106 Wilmot Road
Deerfield, Illinois 60015
TEL: (312) 948-8500

(P) Mr. Larry E. Matejka
Executive Director

Byrd Program:

State Board of Education
100 North First Street
Springfield, Illinois 62777
TEL: (217) 782-5728

(P) Mr. Ray Schaljo

INDIANA

SSIG Program:

STATE STUDENT ASSISTANCE
COMMISSION OF INDIANA
964 North Pennsylvania Street
1st Floor
Indianapolis, Indiana 46204
TEL: (317) 232-2350

(P) Ms. Patricia Bright
Business and Accounting
Manager

Douglas Program:

STATE STUDENT ASSISTANCE
COMMISSION OF INDIANA
964 North Pennsylvania Street
1st Floor
Indianapolis, Indiana 46204
TEL: (317) 232-2350

(P) Mr. William Dubois, Jr.
Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Room 229 - State House
Center for School Improvement
& Performance
Indianapolis, Indiana 46204-2798
TEL: (317) 269-9606

(P) Ms. Phyllis L. Usher
Senior Officer

IOWA

SSIG Program:

IOWA COLLEGE AID COMMISSION
201 Jewett Building
Ninth and Grand Avenue
Des Moines, Iowa 50309
TEL: (515) 281-3501

(P) Mr. John W. Heisner, Director
Program Administration

Douglas Program:

IOWA COLLEGE AID COMMISSION
201 Jewett Building
Ninth and Grand Avenue
Des Moines, Iowa 50309
TEL: (515) 281-3501

(P) Mr. John W. Heisner
Program Administration

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Grimes State Office Building
Des Moines, Iowa 50319-0146
TEL: (515) 281-3198

(P) Mr. Leland Wolf
Consultant

KANSAS

SSIG Program:

KANSAS BOARD OF REGENTS
Suite 609, Capitol Tower
400 West 8th Street
Topeka, Kansas 66603
TEL: (913) 296-3517

(P) Ms. Clantha McCurdy
Associate Director for
Student Financial Aid

Douglas Program:

KANSAS BOARD OF REGENTS
Suite 609, Capitol Tower
400 West 8th Street
Topeka, Kansas 66603
TEL: (913) 296-3517

(P) Ms. Clantha McCurdy
Associate Director for
Student Financial Aid

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Kansas State Education Bldg.
120 East Tenth Street
Topeka, Kansas 66612-1103
TEL: (913) 296-2306

(P) Mr. Warren J. Bell
Director

KENTUCKY

SSIG Program:

KENTUCKY HIGHER EDUCATION
ASSISTANCE AUTHORITY
1050 U.S. 127 South
Frankfort, Kentucky 40601
TEL: (502) 564-7990

(P) Ms. Joyce A. Bryan
Manager, Student Aid
Programs

Douglas Program:

KENTUCKY HIGHER EDUCATION
ASSISTANCE AUTHORITY
1050 U.S. 127 South
Frankfort, Kentucky 40601
TEL: (502) 564-7990

(P) Mr. Paul P. Borden
Executive Director

Byrd Program:

STATE DEPARTMENT
OF EDUCATION
Capital Plaza Tower
Frankfort, Kentucky 40601
TEL: (502) 564-4770

(P) Mr. Jim Gregg
Deputy Associate
Superintendent

LOUISIANA

SSIG Program:

GOVERNOR'S SPECIAL
COMMISSION ON
EDUCATION SERVICES
Post Office Box 44127
Baton Rouge, Louisiana 70804
TEL: (504) 342-9422

(P) Ms. Winona Walker Kahao
SSIG Supervisor

Douglas Program:

GOVERNOR'S SPECIAL
COMMISSION ON
EDUCATION SERVICES
Post Office Box 44127
Baton Rouge, Louisiana 70804
TEL: (504) 342-9422

(P) Ms. Mona H. Durham, Director
Scholarship & Grant Division

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Post Office Box 44064
Bureau of Secondary
Education
Baton Rouge, LA 70804-9064
TEL: (504) 342-3404

(P) Mr. Edward Cancienne
Director

MAINE

SSIG Program:

DEPARTMENT OF EDUCATIONAL
AND CULTURAL SERVICES
Higher Education Services
State House Station #119
Augusta, Maine 04333
TEL: (207) 289-2181

(P) Ms. Nancy E. Wasson
Consultant, Maine Student
Incentive Scholarship Program

Douglas Program:

DEPARTMENT OF EDUCATIONAL
AND CULTURAL SERVICES
State House Station #119
Augusta, Maine 04333
TEL: (207) 289-2183

(P) Ms. Nancy E. Wasson
Consultant, Maine Student
Incentive Scholarship Program

Byrd Program:

DEPARTMENT OF EDUCATIONAL
AND CULTURAL SERVICES
Higher Education Services
State House Station #119
Augusta, Maine 04333
TEL: (207) 289-2183

(P) Ms. Helen Renko-Flanagon

MARYLAND

SSIG Program:

MARYLAND STATE
SCHOLARSHIP BOARD
2100 Guilford Avenue
Baltimore, Maryland 21218
TEL: (301) 333-6450

(P) Ms. Vicky Larry
Associate Director

Douglas Program:

MARYLAND STATE
SCHOLARSHIP BOARD
2100 Guilford Avenue
Baltimore, Maryland 21218
TEL: (301) 333-6420

(A) Dr. Douglas S. MacDonald
Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
200 West Baltimore Street
Baltimore, Maryland 21201-2595
TEL: (301) 333-2200

(P) Mr. Claude E. Kitchens
Deputy State Superintendent

MASSACHUSETTS

SSIG Program:

BOARD OF REGENTS OF
HIGHER EDUCATION
Scholarship Office
150 Causeway Street, Room 600
Boston, Massachusetts 02114
TEL: (617) 727-9420

(P) Ms. Elizabeth Fontaine
Acting Director, Scholarship
Office

Douglas Program:

BOARD OF REGENTS OF
HIGHER EDUCATION
Scholarship Office
150 Causeway Street, Room 600
Boston, Massachusetts 02114
TEL: (617) 727-9420

(P) Ms. Elizabeth Fontaine
Acting Director, Scholarship
Office

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Quincy Center Plaza
1385 Hancock Street
Quincy, Massachusetts 02169-5183
TEL: (517) 770-7300

(A) Mr. Harold Raynolds, Jr.
Commissioner of Education

MICHIGAN

SSIG Program:

MICHIGAN DEPARTMENT
OF EDUCATION
Scholarship and Tuition Grant
Programs
Post Office Box 30008
Lansing, Michigan 48909
TEL: (517) 373-3394

(P) Ms. Jean Maday
Supervisor

Douglas Program:

MICHIGAN DEPARTMENT
OF EDUCATION
Post Office Box 30008
Lansing, Michigan 48909
TEL: (517) 373-3394

(P) Mr. Ronald J. Jursa, Director
Student Financial Assistance
Services

Byrd Program:

MICHIGAN DEPARTMENT
OF EDUCATION
Post Office Box 30008
Lansing, Michigan 48909
TEL: (517) 373-3354

(P) Mr. Ronald J. Jursa, Director
Student Financial Assistance
Services

MINNESOTA

SSIG Program:

MINNESOTA HIGHER EDUCATION
COORDINATING BOARD
Capitol Square, Suite 400
550 Cedar Street
St. Paul, Minnesota 55101

(P) Ms. Cheryl Maplethorpe
Manager, State Financial
Aid Programs
TEL: (612) 296-9657

Douglas Program:

MINNESOTA HIGHER EDUCATION
COORDINATING BOARD
Capitol Square, Suite 400
550 Cedar Street
St. Paul, Minnesota 55101
TEL: (612) 296-9656

(P) David A. Longanecker
Executive Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
684 Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101
TEL: (612) 296-4067

(P) Mr. Gil Valdez
Manager

MISSISSIPPI

SSIG Program:

MISSISSIPPI POSTSECONDARY
EDUCATION FINANCIAL
ASSISTANCE BOARD
Post Office Box 2336
Jackson, Mississippi 39225-2336
TEL: (601) 982-6570

(P) Ms. Dottie Strain
Assistant Director

Douglas Program:

MISSISSIPPI POSTSECONDARY
EDUCATION FINANCIAL
ASSISTANCE BOARD
Post Office Box 2336
Jackson, Mississippi 39225-2336
TEL: (601) 982-6570

(P) Dr. James L. Flippin
Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Post Office Box 771
Jackson, Mississippi 39205
TEL: (601) 359-3513

(P) Mr. Andy Mullins
Director, External Relations

MISSOURI

SSIG Program:

MISSOURI COORDINATING
BOARD FOR HIGHER EDUCATION
101 Adams Street
Jefferson City, Missouri 65101
TEL: (314) 751-2361

(P) Dr. Judy Vickrey
Assistant Commissioner
for Finance

Douglas Program:

Not participating

Byrd Program:

STATE DEPARTMENT OF ELEMENTARY
AND SECONDARY EDUCATION
Post Office Box 480
Jefferson City, Missouri 65102
TEL: (314) 751-2931

(P) Ms. Celeste Ferguson
Assistant Commissioner

MONTANA

SSIG Program:

MONTANA UNIVERSITY SYSTEM
33 South Last Chance Gulch
Helena, Montana 59620
TEL: (406) 444-6570

(P) Mr. William J. Lannan
Director of Special Projects

Douglas Program:

MONTANA UNIVERSITY SYSTEM
33 South Last Chance Gulch
Helena, Montana 59620
TEL: (406) 444-6570

(P) Mr. William J. Lannan
Director of Special Projects

Byrd Program:

STATE OFFICE OF
PUBLIC INSTRUCTION
State Capitol, Room 116
Helena, Montana 59620
TEL: (406) 444-3654

(P) Mr. Ed Argenbright
Superintendent of
Public Instruction

NEBRASKA

SSIG Program:

NEBRASKA COORDINATING
COMMISSION FOR POST-
SECONDARY EDUCATION
Post Office Box 95005
301 Centennial Mall South
Lincoln, Nebraska 68509
TEL: (402) 471-2847

(P) Ms. Sue Gordon-Gessner
Director (Interim)

Douglas Program:

NEBRASKA COORDINATING
COMMISSION FOR POST-
SECONDARY EDUCATION
Post Office Box 95005
301 Centennial Mall South
Lincoln, Nebraska 68509
TEL: (402) 471-2847

(P) Ms. Sue Gordon-Gessner
Director (Interim)

Byrd Program:

STATE DEPARTMENT OF EDUCATION
301 Centennial Mall South
Post Office Box 94987
Lincoln, Nebraska 68509
TEL: (402) 471-2295

(P) Mr. Roger Hudson
Director

NEVADA

SSIG Program:

STATE DEPARTMENT OF EDUCATION
Capitol Complex
Carson City, Nevada 89710
TEL: (702) 885-5914

(P) Mr. Peter Sweet
Director

Douglas Program:

Not participating

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Capitol Complex
Carson City, Nevada 89710
TEL: (702) 885-3104

(P) Ms. Marcia R. Reardon
Deputy Superintendent

NEW HAMPSHIRE

SSIG Program:

NEW HAMPSHIRE POSTSECONDARY EDUCATION COMMISSION
2 1/2 Beacon Street
Concord, New Hampshire 03301
TEL: (603) 271-2555

(P) Dr. James A. Busselle
Executive Director

Douglas Program:

NEW HAMPSHIRE POSTSECONDARY EDUCATION COMMISSION
2 1/2 Beacon Street
Concord, New Hampshire 03301
TEL: (603) 271-2555

(P) Dr. James A. Busselle
Director

Byrd Program:

STATE DEPARTMENT OF EDUCATION
State Office Park South
101 Pleasant Street
Concord, New Hampshire 03301
TEL: (603) 271-3453

(P) Mr. Frank W. Brown
Director

NEW JERSEY

SSIG Program:

NEW JERSEY DEPARTMENT
OF HIGHER EDUCATION
Tuition Aid Grant Program
4 Quakerbridge Plaza CN 540
Trenton, New Jersey 08625
TEL: (609) 588-3268

(P) Garry Vance, Director
Tuition Aid Grant Program

Douglas Program:

NEW JERSEY DEPARTMENT
OF HIGHER EDUCATION
4 Quakerbridge Plaza CN 540
Trenton, New Jersey 08625
TEL: (609) 588-3268

(P) Garry Vance, Director
Tuition Aid Grant Program

Byrd Program:

STATE DEPARTMENT OF EDUCATION
CN 500
Trenton, New Jersey 08625
TEL: (609) 292-4450

(P) Mr. W.R. Schaeffer
Manager of Operations

NEW MEXICO

SSIG Program:

COMMISSION ON HIGHER
EDUCATION
1068 Cerrillos Road
Santa Fe, NM 87501-4925
TEL (505) 827-8300

(P) Mr. Porfirio R. Diaz
Director, Planning and
Program Development

Douglas Program:

NEW MEXICO STUDENT LOAN
GUARANTEE CORPORATION
Post Office Box 27020
Albuquerque, NM 87125-7020
TEL: (505) 345-3371

(P) Ms. Marjorie Dunn
Administrative Coordinator

Byrd Program:

STATE DEPARTMENT OF EDUCATION
Education Building
Santa Fe, NM 87501-2786
TEL: (505) 827-6673

(P) Mr. James Gontis

NEW YORK

NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION
One Commerce Plaza
Albany, New York 12255
TEL (518) 473-0431

(P) Mr. Francis J. Hynes
Vice President

Douglas Program:

NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION
One Commerce Plaza
Albany, New York 12255
TEL (518) 473-0431

(P) Mr. Francis J. Hynes
Vice President

Byrd Program:

STATE EDUCATION DEPARTMENT
111 Education Building
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1988-89

The Federal Student Financial Aid Handbook

Chapter Four
Pell Grant Program

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INTRODUCTION & PROGRAM UPDATE

The purpose of this chapter of the *Federal Student Financial Aid Handbook* is to describe how a school calculates and pays Pell Grant awards to eligible students, and how it reports those payments to the Office of Student Financial Assistance (OSFA).

To put it simply, this chapter concerns itself with what the school must do after the student has submitted a valid Student Aid Report (SAR) with an eligible Student Aid Index (SAI). If you want to know more about the application process or verification procedures, you may wish to consult one of the following OSFA publications: *The Pell Grant Formula, The Congressional Methodology*, the sections on "Financial Need" and "Using the Federal Processing System" in Chapter Two of this *Handbook*, or the *Verification Guide*. An outline of the Pell Grant process and the appropriate reference material is provided at the end of this introduction.

This chapter is divided into sections covering the basic steps in the Pell Grant award process at the school: confirming student eligibility, calculating the award, recalculating the award (if necessary), collecting overpayments, and reporting expenditures to the Department. In addition, there is a separate section for calculation procedures in special programs, such as programs of correspondence study or programs with non-standard terms. In some cases, the text will refer you to Chapter 2 of this handbook ("General Program Requirements") for a full discussion of issues that affect all of the OSFA programs, such as satisfactory progress, the eligible program definition, the refund and repayment formulas, etc.

REAUTHORIZATION CHANGES

HEA 86

The Higher Education Amendments of 1986 reauthorized the Pell Grant Program and other student financial assistance programs administered by the U.S. Department of Education. We have used a margin note to identify each place where a change has been made based on the amendments.

Many of the reauthorization changes that we have noted were effective for the 1987-88 award year. However, reauthorization made several major changes to the need analysis for the Pell Grant Program that will be effective for the 1988-89 award year. These changes are discussed in detail in the *Pell Grant Formula*, and Chapter 2 ("General Program Requirements") of this *Handbook*. The most significant change is the authority of financial aid administrators to adjust the Student Aid Index for a Pell Grant applicant. The major programmatic change that affects this chapter of the *Handbook* concerns the student's cost of attendance (see Section Two).

Several changes have been made to the Pell Grant regulations, as published on October 14, 1987. In most cases, these changes simply implement new statutory requirements that were already effective for 1987-88 (as discussed in the 1987-88 edition of this *Handbook*). In addition, the name of the the Pell Grant Electronic Pilot Project was changed to the Pell Grant Electronic Data Exchange. Unlike the Pilot Project, the Electronic Data Exchange is open to all schools participating in the Pell Grant Program (see Section Seven).

KEY TERMS

We will be using several common acronyms and other terms in this chapter to simplify the discussion.

ED or *the Department:* The U.S. Department of Education.

OSFA programs: The programs administered by the Office of Student Financial Assistance, within the Department of Education. The OSFA grant programs are Pell Grants, Supplemental Educational Opportunity Grants, and State Student Incentive Grants. The OSFA loan programs are Perkins Loans (formerly National Direct/ Defense Student Loans), Income Contingent Loans, Guaranteed Student Loans, PLUS Loans, and Supplemental Loans for Students. A third kind of program is the College Work-Study Program. These programs are also known as theTitle IV programs, because they are authorized by Title IV of the Higher Education Act. (The Title IV programs also include the Byrd Scholarship Program, and the Consolidation Loan Program.)

SAI: The Student Aid Index, which is a number showing the student's expected family contribution for the Pell Grant Program. This number is printed on the

Student Aid Report and is used to look up the student's award.

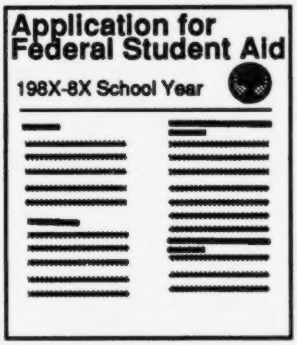
SAR: The Student Aid Report. A three-part document produced by the Federal Student Aid Application Processing Center. The SAR shows the information reported by the student on his or her financial aid application. The SAR is sent to the student by the Processing Center, and must be submitted by the student to the school for payment.

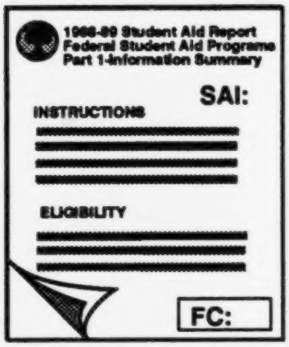
PELL GRANT PROCESS

Student reports household and financial information on application (Federal or Multiple Data Entry)

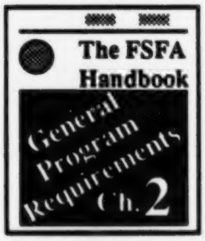
Federal processing system computes a Student Aid Index (SAI) and a Family Contribution (FC); prints Student Aid Report and mails it to the student

RELEVANT DOCUMENT

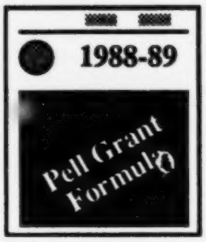

Application for Federal Student Aid
198X-8X School Year


1988-89 Student Aid Report
Federal Student Aid Programs
Part 1-Information Summary
SAI:
INSTRUCTIONS
ELIGIBILITY
FC:

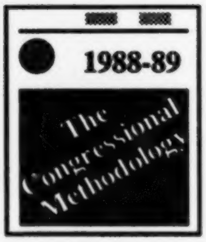
OSFA PUBLICATION


The FSFA Handbook
General Program Requirements Ch. 2

Chapter Two (Sections 2 and 3) of the SFA Handook discuss the principles of financial need and the application process.


1988-89
Pell Grant Formula

"The Pell Grant Formula" explains how the SAI is calculated.

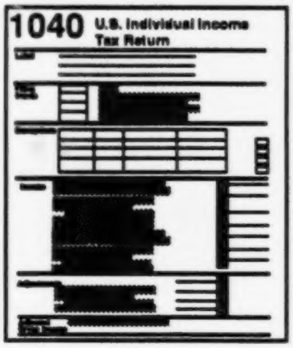

1988-89
The Congressional Methodology

"The Congressional Methodology" explains how the FC is calculated.

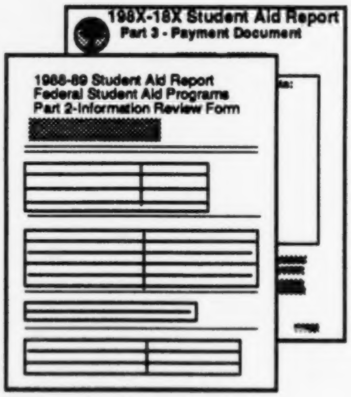
School verifies information on the Student Aid Report (if necessary), using tax return and other documents.

School makes any necessary adjustments or recalculatons; using Part 2 or Part 3 of the SAR to report changes

School calculates payment using Payment Schedule; pays student and sends Part 3 of SAR to Disbursement System

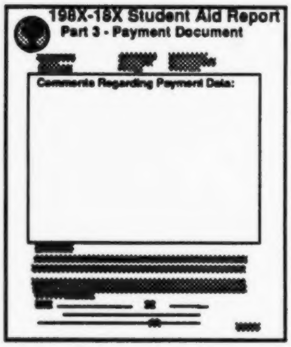


1040 U.S. Individual Income Tax Return



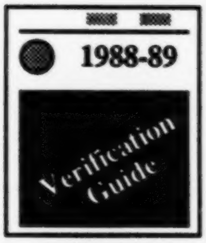
198X-18X Student Aid Report
Part 3 - Payment Document

1988-89 Student Aid Report
Federal Student Aid Programs
Part 2-Information Review Form



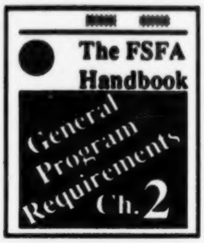
198X-18X Student Aid Report
Part 3 - Payment Document

Comments Regarding Payment Data:



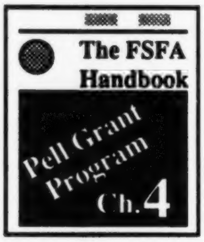
1988-89
Verification Guide

The Verification Guide discusses documentation requirements for the OSFA programs.



The FSFA Handbook
General Program Requirements
Ch. 2

Chapter Two of the SFA Handook (Section 3) discusses the use of the SAR in the Federal processing system.



The FSFA Handbook
Pell Grant Program
Ch. 4

Chapter Four of the SFA Handbook discusses award calculations, disbursements, and use of Part 3 of the SAR to report payments.

SECTION ONE:
STUDENT ELIGIBILITY

Unlike the campus-based programs (see Chapters 5-8 of this *Handbook*), a student's eligibility for a Pell Grant does not depend on the availability of funds at the school. The Department provides funds to each participating institution to pay eligible students, based on the number of students who have submitted Student Aid Reports to that institution. The funding process is discussed in Section Seven.

Because the Secretary pays Pell Grant awards to all eligible students, the school is not responsible for selecting Pell Grant recipients. However, the school must ensure that a recipient meets the eligibility requirements for the Pell Grant Program, as discussed below.

GENERAL ELIGIBILITY REQUIREMENTS

Most of the student eligibility requirements for the Pell Grant Program are common to all the OSFA programs. These general requirements are discussed in greater detail in Chapter 2 (General Program Requirements). Briefly, for a student to be eligible to receive assistance from the OSFA programs, he or she must --

- be either a U.S. citizen or an eligible non-citizen
- be enrolled at least half-time as a regular student in an eligible program at an eligible school*
- have a high school diploma or its recognized equivalent (or be above the age of compulsory school attendance in the State where the school is located and have the ability to benefit from the course of study at the school)

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* Schools may award campus-based aid to students who are enrolled less than half-time.

- be making satisfactory progress in his/her course of study
- file a Statement of Educational Purpose, a Statement of Selective Service Registration Status, and a Certification Statement on Refunds and Defaults with the school

A student is *not* eligible for OSFA funds if he or she —

- is enrolled in an elementary or secondary school
- is in default on a student loan or owes a refund on a student grant from the OSFA programs
- has borrowed in excess of the annual or aggregrate loan limits for the OSFA loan programs
- is a member of a religious order

In addition, if a student transfers from one postsecondary school to another, the student must arrange to have a financial aid transcript sent to the new school by the previous school (or schools, if the student has attended more than one postsecondary school). See Chapter 2 of this *Handbook* for a discussion of the financial aid transcript.

FINANCIAL NEED

Student Aid Index

To be eligible for the Pell Grant, a student must have an eligible Student Aid Index (SAI). This number is an index of the student's ability to contribute to the cost of education. Thus, the neediest students will have an SAI of 0, and may be eligible for the maximum award, if their cost of education (also known as cost of attendance) is high enough.

As the SAI increases, the amount of the award decreases, and after a certain point, the award becomes zero. For the 1988-89 award year, the cutoff point is any SAI greater than 2000.

EXAMPLE

1988-89 Scheduled Awards based on a cost of attendance of at least $3700 (Example only -- DO NOT USE TO MAKE AWARDS)

SAI	0	300	600	900	1200	1500
Award	2200	1942	1597	1251	906	560

As the SAI (expected contribution) increases, the Scheduled Award decreases.

Student Aid Report

The SAI is printed on the Student Aid Report, which is the official notice of the student's eligibility (or ineligibility) for a Pell Grant. The SAI is computed by the Federal processing center in Iowa based on the information reported by the student on the financial aid application. The processing center sends the Student Aid Report directly to the student. To be paid a Pell Grant,the student must submit the SAR to the school while enrolled and eligible. The school must retain a copy of the SAR (Parts 1 and 3) for each student to whom it pays a Pell Grant.

Institutional role in need analysis

Although the SAI is computed by the Federal processing center and recipients are in effect selected through the use of the Pell Grant formula and use of the Payment Schedule, the school plays an increasingly important role in the application and need analysis processes for the Pell Grant Program.

✓HEA 86

"First Payment" Option

The Higher Education Amendments of 1986 contain a new provision (effective for the 1987-88 award year) that permits a school to make a first payment to a student before receiving the Student Aid Report (SAR) under certain circumstances. For instance, if you have received the student's *official SAI* and financial information (on the full data tape or MDE output document), you may make a first payment without waiting for the student to receive the official SAR. In addition, if you discover an error in the student's information on the SAR, full data tape, or MDE document, you may recalculate the SAI based on the correct information and make a first payment to the student at that time, while the student corrects Part 2 of the SAR and sends it to the Federal processing center for reprocessing. (In previous years, a payment could not have been made until the student brought the corrected, reprocessed SAR to the school.) The school may not make another payment to the student until it receives the valid SAR. If the student never submits a valid SAR the school must return the amount of the first payment to the Pell Grant account. (See "Using the Federal Processing System" in Chapter Two of this *Handbook* for information on how to report recalculations on the SAR.)

✓HEA 86

Adjustments to the SAI

An additional change made by the Higher Education Amendments becomes effective for the 1988-89 award year. For the first time, a financial aid administrator may adjust the Student Aid Index to take into account individual circumstances. (Financial aid administrators have always had the authority to make individual adjustments to the Family Contribution (FC) for the GSL and campus-based programs.) Again, please see Chapter Two for more information.

✓HEA 86

Dependency Status

The Higher Education Amendments also established a new definition of an independent student, which was effective for the 1987-88 award year. This definition remains basically the same for the 1988-89 award year, with several minor alterations. Since the independent student definition affects all of the OSFA programs, it is discussed in Chapter Two.

However, please remember one important feature of the new definition for the Pell Grant Program: the school may now make a documented determination that a student is independent due to circumstances other than those specified in the law. This is known as the "dependency status override" (see Chapter 2).

Verification

Another area of responsibility for schools in the application process is the verification of information on the student application, which began in the 1978-79 award year. If the SAI on the Student Aid Report has an asterisk, the school must verify the student's information in accordance with the regulatory requirements, unless the 30% verfication limit has been exceeded (see the *Verification Guide* or Subpart E of the General Provisions). In most cases, the student is required to submit IRS forms to verify his or her own income, and the income of his or her parents and spouse. If the student is selected for verification, and in the course of verification the school discovers an error on the Student Aid Report, the school may use the recalculation option described above to make a first payment to the student while the corrected SAR is being reprocessed. Other payment options, including the use of tolerances and the Zero SAI charts, are described in the *Verification Guide*.

Although postsecondary institutions are not directly involved in the application process, many schools offer students counseling and other assistance in filling out the financial aid application. Helping students to fill out the form often eliminates the need for corrections to the SAR, which could delay the student's award.

UNDERGRADUATE STUDENT

Receipt of degree

A student must be an undergraduate student to receive a Pell Grant. The regulations define an undergraduate student as a student who is enrolled in an undergraduate course of study, and who has not earned a baccalaureate or first professional degree. (By "professional degree," we mean degrees offered by professional programs such as pharmacy, dentistry, or veterinary programs.)

Length of undergraduate study

An undergraduate course of study under this definition is one which usually does not exceed 4 academic years, or which is a program of 4-5 academic years designed to lead to a first degree. If the program is more than 5 years in length (for example, a 6-year pharmacy program), then students enrolled in that program are only considered undergraduate students for the first 4 academic years of the program.

Degrees at less than the baccalaureate level

Note that a student who has already received an associate's degree, but enrolls in another undergraduate program would continue to be considered an undergraduate student until he or she has completed the academic curriculum requirements for a first bachelor's degree. (This is true for *any* student who has received a certificate or diploma at less than the baccalaureate level.)

DURATION OF ELIGIBILITY

Definition

The duration of a student's eligibility is defined in the Pell Grant regulations as the period of time required for the student to complete the first undergraduate baccalaureate course of study.

Occasionally, a student will complete the requirements for a bachelor's degree, but will continue taking undergraduate courses without accepting the degree. The school must decide at what point it considers the student to have completed the baccalaureate course of study: when the student completes the requirements for the degree, or when the student actually receives the degree. If the school considers the student to have completed the baccalaureate course of study, the student is no longer eligible to receive a Pell Grant.

✓HEA 86

New limit on duration of eligibility

The Higher Education Amendments of 1986 set an additional limit on the duration of student eligibility. This limit applies to students who receive a Pell Grant for the first time in the 1987-88 award year or subsequent award years. The period of Pell Grant eligibility is 5 academic years for students enrolled in undergraduate programs requiring 4 years of study or less. (If the program requires more than 4 academic years of study, the period of Pell Grant eligibility is limited to 6 academic years.)

Non-credit and remedial coursework taken by the student is not counted toward the 5 or 6-year limits. The school may waive this limit for a student who was not able to make satisfactory progress because of undue hardship. The law specifically mentions cases where a relative of the student has died, or the student has been injured or ill, but also includes any other special circumstances as determined by the school.

The Department will use the Pell Grant Disbursement System (described in Section Seven) to monitor the Pell eligibility of students who receive their first Pell Grant in 1987-88 or later. Pell eligibility will be measured by comparing the actual disbursement to the student's Scheduled Award for an award year. If the student received a full Scheduled Award, obviously, the processing system will count that as one academic year of Pell eligibility used. On the other hand, if the student only received a portion of a Scheduled Award, only that portion of Pell eligibility would be counted as used. (For example, if the student with a Scheduled Award of $1800 only attended one of two terms in the academic year, the student would have only received $900, and thus would only have used half of an academic year of Pell Grant eligibility).

Identifying students who have exceeded limit

The processing system will "flag" the Student Aid Reports for students that appear to have used all of their Pell eligibility, beginning in the 1992-93 award year. Bear in mind that the Pell Grant Disbursement System does not collect information on non-credit or remedial coursework, and thus will not be able to exclude such courses from consideration. The financial aid administrator at the school will be able to override the processing system for students who received Pell Grants for non-credit or remedial coursework, or who have special circumstances.

Using school records to review eligibility

To be able to make override decisions, the financial aid administrator will need to use the school's records. For purposes of tracking Pell eligibility, the Department of Education has advised schools to use the regular, full credit or clock hours that were counted in the student's enrollment status, excluding non-credit or remedial work. For term schools using credit hours, the total regular hours taken by the student during a payment period should be divided by the minimum standard for full-time enrollment for an academic year.

If the student took more hours than the school's minimum full-time standard for the payment period, use the full-time standard instead of the actual hours taken, as shown in the first example on the facing page.

The second example shows a situation where the student is considered to be enrolled half-time for three terms, based on a combination of regular and non-credit coursework. However, the non-credit coursework is not counted when figuring how much Pell Grant eligibility has been used for the year. Similarly, in the third example, the student took 9 hours of regular coursework each semester, while the remedial work is excluded.

EXAMPLES:

(assume minimum full-time enrollment status for term is 12 credit hours)

1 Student takes 15 hours of regular coursework one semester.

$$\frac{12 \text{ Total hours counted}}{24 \text{ Hours (full-time for year)}} = 1/2 \text{ of an academic year}$$

2 Student is paid as a half-time student based on 3 hours non-credit, and 3 hours regular coursework for three consecutive quarters.

$$\frac{9 \text{ Total regular hours counted}}{36 \text{ Hours (full-time for year)}} = 1/4 \text{ of an academic year}$$

3 Student is paid as a full-time student for two semesters, based on 9 regular credit hours and 3 hours worth of remedial work for the first semester, and 9 regular credit hours and 6 hours of remedial work the next semester.

$$\frac{9 \text{ Total regular hours counted}}{24 \text{ Hours (full-time for year)}} = 3/8 \text{ of an academic year}$$

This calculation is the same for both semesters. The student is considered to have used 9 credit hours in each semester, which is 3/8 of an academic year. (The total eligibility used for both semesters is 3/4 of an academic year.)

Because these are slightly different calculations than those used by the Pell Grant Disbursement System, in some instances there will be discrepancies between the processing system and the school's calculation of the amount of Pell used. In these cases, the financial aid administrator's calculation must be used, since the Disbursement System does not provide a precise accounting of the student's use of Pell eligibility.

SUBMISSION OF AN SAR

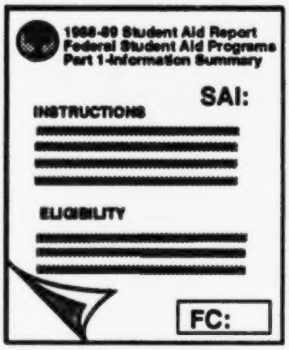
Deadlines

To establish eligibility for a Pell Grant, a student must submit a valid Student Aid Report (SAR) to the financial aid office within certain deadlines. In most cases, the student must submit the SAR while enrolled and eligible for payment, and no later than the end of the award year (June 30, or, if June 30 falls on a weekend or holiday, the next working day after June 30). If the student leaves school or completes the program before submitting a valid SAR, the student is not eligible for a Pell Grant.

Verification extension

This deadline is extended for students who are unable to submit a reprocessed SAR in time because they are undergoing verification. The verification extension gives the student an additional 60 days after his or her last day of enrollment to submit the SAR, not to extend beyond September 1 following the end of the award year. To qualify for this extension, the student must have submitted an SAR with an eligible SAI to the school while the student was enrolled and eligible for payment.

How the 3-part SAR is used


1988-89 Student Aid Report
Federal Student Aid Programs
Part 1-Information Summary
SAI:
INSTRUCTIONS
ELIGIBILITY
FC:

The Student Aid Report consists of three parts, which serve different purposes. ***Part 1*** of the SAR is an eligibility letter to the student, with the student's information printed on the reverse. The school must retain this part in its files. ***Part 2*** of the SAR is known as the "Information Review Form" or the "Information Request Form," and is used by the student to make corrections, if needed. It is very important that the student review the information on Part 2 of the SAR to make sure that it is accurate. Because the information on Parts 1 & 2 of the SAR can be used to make awards for any of the OSFA programs, these two parts of the SAR are discussed in greater detail in Section Three, Chapter Two ("General Program Requirements").

If the student has an eligible SAI, the SAR will include ***Part 3***, known as the "Payment Document." The school fills out the award information on this part and sends it to the Pell Grant Program. After processing, a new copy of the Payment Document is sent to the school for its files. We will discuss the handling of Part 3 of the SAR in Section Seven, of this chapter, "Reporting Expenditures."

SECTION TWO: CALCULATING THE PELL GRANT

Despite appearances, calculating a Pell Grant is actually fairly simple. Once the cost of attendance has been figured, the student's annual award can be looked up on the Payment Schedule issued by the Department of Education for that year. In fact, at most schools the only real calculation that is necessary is to divide the annual award into the correct amount for each payment period.

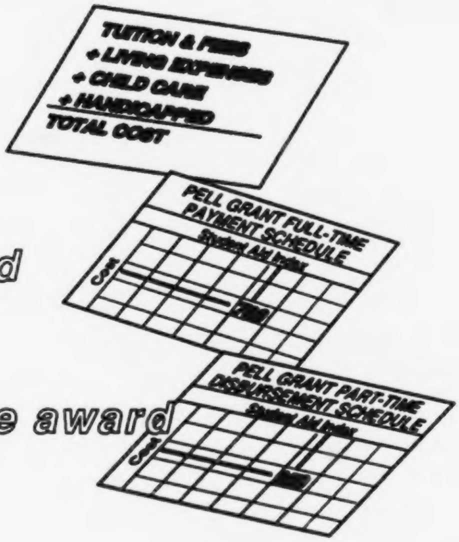
Calculating the Grant: Four steps

There are four basic steps to calculating a Pell Grant award:

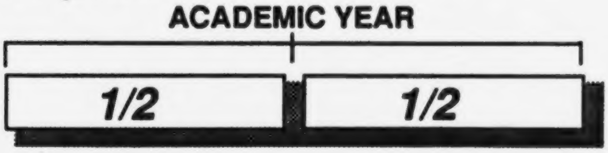
STEP 1 *Figure the Cost of Attendance*

STEP 2 *Look up the Scheduled Award*

STEP 3 *Look up the part-time award* *(if necessary)*


TUITION & FEES
+ LIVING EXPENSES
+ CHILD CARE
+ HANDICAPPED
TOTAL COST
PELL GRANT FULL-TIME PAYMENT SCHEDULE
Student Aid Index
Cost
PELL GRANT PART-TIME DISBURSEMENT SCHEDULE
Student Aid Index
Cost

STEP 4 *Calculate the payment for the payment period*


ACADEMIC YEAR
1/2
1/2

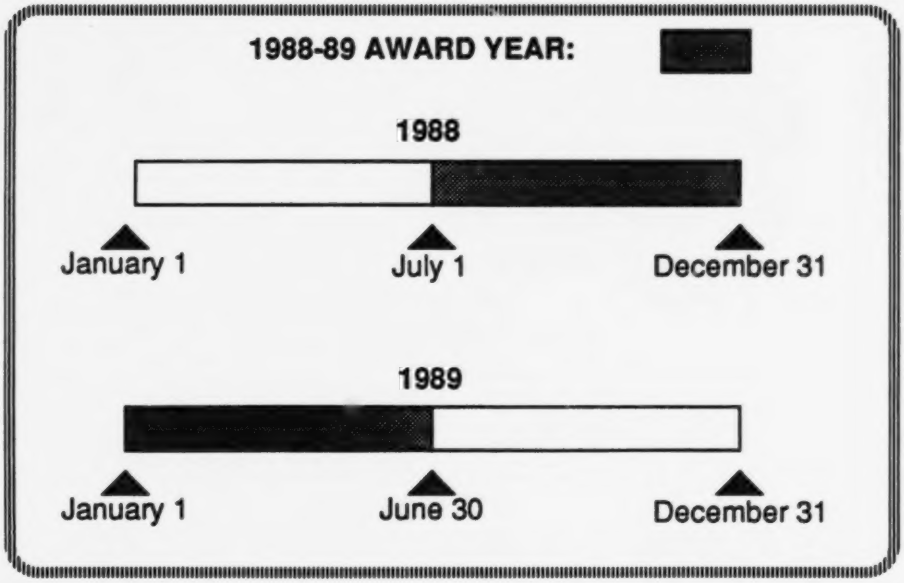
In essence, these steps adjust the Pell Grant award to take into account the student's cost of attendance, enrollment status, ability to contribute to education, and the amount of coursework taken in the award year.

In this section, we will review these basic steps in calculating a Pell Grant award. Pell Grant calculations for most clock hour and credit hour programs can be performed by following these steps. However, there are some relatively unusual programs for which different calculations must be used, such as programs of correspondence study and programs with non-standard terms. These calculations are discussed later. After you have completed this section on the basic Pell Grant calculations, check the next section on "Special Program Considerations" to see if any of the programs at your school require other calculations.

THE SCHEDULED AWARD AND OTHER KEY CONCEPTS

Award year

A student may be paid no more than one *Scheduled Award* for an *award year*. The award year begins on July 1st of one year and ends on June 30 of the next year.



Scheduled Award

The Scheduled Award is the amount that a student would receive for a given cost of attendance and SAI, assuming that the student was enrolled full-time for a full academic year. Thus, if a student had a cost of attendance of $6,000 and an SAI of 0, the student would be eligible for the maximum Scheduled Award ($2200 for 1988-89).

The concept of the Scheduled Award is important because it limits the student to a maximum payment for the award year, based on the SAI and the cost of education. The Scheduled Award may not be exceeded, even if the student transfers to another institution or attends a summer session.

Defining the school's academic year

On the other hand, there are several situations in which the student will receive less than a full Scheduled Award. Remember that the Scheduled Award is the amount that the student would receive ***if the student were enrolled full-time for a full academic year***. For instance, if a student attends two terms as a half-time student (at a credit hour school), the student would receive half a Scheduled Award. Or, if the student enrolled full-time in a program late in the award year and only completed half of an academic year in that program, he or she would only receive half of a Scheduled Award.

Each school defines the length of the academic year for its programs. However, the Pell Grant regulations define the minimum length of an academic year that can be used in Pell Grant calculations.

For a program that uses:	***The academic year must be at least:***
Semesters Trimesters Quarters	2 Semesters 2 Trimesters 3 Quarters
Clock hours	900 Clock hours
Credit hours without terms	24 Semester hours or 36 Quarter hours

Depending on the academic nature of the programs involved, a school may wish to use a different definition of an academic year for different programs. For instance, it may set an academic year of 900 clock hours in one program and 1200 clock hours in another. The school may even use a different academic year for an evening program, as opposed to a day version of the same program, as long as the definitions meet the minimum requirements for an academic year.

The academic year is used to measure the amount of coursework that the student will complete in the award year. A student can be paid for no more than one academic year's worth of coursework in an award year. If the student enrolls for less than a full academic year within the award year, the actual Pell Grant payment the student receives will be less than his or her Scheduled Award.

STEP 1
FIGURE COSTS

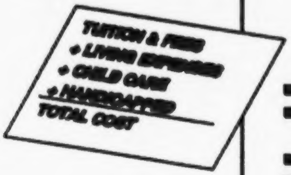
FIGURING THE COST OF ATTENDANCE

The cost of attendance is one of the two numbers that you will use to look up the Scheduled Award. (The other number is the Student Aid Index, which is printed on the SAR.) The cost of attendance is always based on the cost for a *full-time student for a full academic year.* Adjustments for part-time enrollment, and for students who attend less than an academic year are made later, in Steps 3 and 4.

Using standard budgets to report costs

Once the student's award has been calculated, you will also have to report the cost of attendance on Part 3 of the student's SAR (Item #3). To make reporting easier, a school may establish up to ten standard Pell cost of attendance budgets for the 1988-89 award year. (See the section on "Reporting Expenditures" for information on how to use the Institutional Payment Summary to create standard budgets.) For instance, a school could establish a standard budget "A" for students who live on campus, "B" for students who live with their parents, "C" for students who live off-campus but not with their parents, and so forth. Then the school can simply fill in the appropriate letter for the cost of attendance on the SAR, rather than fill out the full number.

Components of the Pell Grant cost of attendance



The Pell Grant cost of attendance is restricted to four components:

- tuition and fees,
- a limited allowance for living expenses (room and board, books, supplies, transportation, and miscellaneous expenses),
- a limited allowance for child care expenses,
- handicapped expenses.

The Pell Grant cost of attendance for a student will be different from the cost of attendance used for the campus-based and Guaranteed Student Loan programs, because of the way the allowance for living expenses is set up. (See Chapter Two, Section Two, for comparison.)

✓ HEA 86

Individual adjustments to student's costs

Beginning with the 1988-89 award year, financial aid administrators have the authority to make individual adjustments to the Pell Grant cost of attendance based on special circumstances. (This change was made by the Higher Education Amendments of 1986.) However, if an adjustment is made to the Pell Grant cost of attendance, a comparable adjustment must also be made to the student's campus-based and GSL cost of attendance, unless the component is different (*e.g.*, "child care" for Pell Grants vs. "dependent care" for the other programs). The adjustment may exceed the limits on living expenses and child care expenses.

TUITION AND FEES

Actual or average

For full-time students, a school may use either the actual or the average amount charged for tuition and fees for a full academic year.

Costs for part-time students

If you pay students based on their enrollment status (*i.e.*, in a credit hour program with terms), you will have to use the average tuition charges for full-time students to figure the cost of attendance for part-time students. This is because the Pell Grant cost of attendance is always based on the costs for a full-time student. At schools that charge by the credit hour, the cost for part-time students should be a standard figure based on the typical hours taken by full-time students at that school. Note that the full-time tuition cost is always based on full-time attendance for a full academic year — the cost is never increased if the student attends an additional session in the summer, or reduced if the student only attends one term.

If tuition and fees are charged to the student for the entire program, and the program is longer or shorter than an academic year, the charges must be pro-rated to establish the student's cost for one full academic year. The same formula works in either case:

FORMULA:

$$\text{Tuition and Fees for Program} \times \frac{\text{Hours in the Academic Year}}{\text{Hours in the Program}} = \text{Tuition and Fees for Academic Year}$$

Pro-rate to find tuition costs for an academic year

EXAMPLE 1:

A 1200-hour program has a tuition and fee charge of \$3,000. (Academic Year = 900 hours.)

$$\$3{,}000 \times \frac{900 \text{ hours}}{1200 \text{ hours}} = \$2250$$

EXAMPLE 2:

A 600-hour program has a tuition and fee charge of \$2,000. (Academic Year = 900 hours.)

$$\$2{,}000 \times \frac{900 \text{ hours}}{600 \text{ hours}} = \$3000$$

The tuition charge may include any additional amount charged to "out-of-State" or "out-of-District" students. (Schools that use average charges are no longer *required* to develop a separate average charge for tuition and fee charges that are based on residency, though this is certainly permissible and often desirable.)

Uniform compulsory fees

The law allows the school to include "uniform compulsory fees" with tuition charges in the cost of attendance. Some charges made to the student are not tuition and fee costs, but are considered part of the allowance for living expenses. For instance, library and parking fines are not considered tuition and fee costs. Similarly, the cost of purchasing books or supplies, or of commuting to school may not be included in tuition and fees, because these costs are considered to be a part of the allowance for living expenses. The chart on the next page gives examples of charges that have traditionally been considered tuition and fee costs, and charges that have been considered part of the student's miscellaneous expense allowance (now part of the living expense allowance), based on policy interpretations in recent years.

✓HEA 86

In previous years, the amount of tuition and fees was never reduced when the student received other student financial aid that helped pay those costs. However, financial aid administrators may now use professional judgement to adjust the Pell Grant cost of attendance when the student has other aid that pays those costs. (The financial aid administrator also has the authority to adjust the student's SAI to take into account other resources the student might have -- see Section Six.)

LIMITED ALLOWANCE FOR LIVING EXPENSES

✓HEA 86

In addition to the tuition and fees, the Pell Grant cost of attendance includes a limited allowance for living expenses (room and board costs, books, supplies, transportation, and miscellaneous expenses).* The school establishes these allowances for living expenses, based on the typical costs for its students. As in years past, the school may establish any number of cost categories (within the limits described below) for students in different living situations. As was the case with tuition and fees, always remember to estimate the student's costs for a *full academic year,* even if he or she will be attending less than an academic year.

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* In previous years there was a standard $400 allowance for books, supplies and miscellaneous expenses, and a separate allowance for room and board. These allowances have been combined by the Higher Education Amendments of 1986 into a single category.

Tuition and Fee Costs	**Miscellaneous Costs** **(Covered under living expense allowance -- do not include in Tuition and Fees)**
BOOKS, SUPPLIES, EQUIPMENT, FACILITIES	
Book rental Computer use fee Dictation tape rental fee Equipment breakage fee Equipment rental Flight fee Gymnasium use fee Laboratory fee Music instrument rental Physical education fee	Beauty kit purchase Book purchase Contingency fee (deposit) Deposits Equipment purchase Learning resources fee Music instrument purchase School pin fee Supplies Tools purchase Uniform purchase
GRADUATION FEES	
Diploma fee Graduation fee Interview (if required by school for graduation)	Licensing fee Placement (by outside firm) Academic transcript fee
ADMINISTRATIVE SERVICES	
Activity fee (e.g., athletics, student newspaper, etc.) Application fee (admissions, processing)* Health services fee (for services provided by school) Registration fee Student body fee	Change of program fee Credit by examination fee Deferred finance charges Deferred tuition fee Deposits Finance charges Health insurance (outside agency) Insurance fee (outside agency) Late registration fee Parking permits Refundable fees (damage, cleaning, etc.) Sales tax

*Note that the Higher Education Act of 1986 provides that a school may not charge students a fee for processing or handling any application, form, or data required to determine the student's eligibility for financial aid from the OSFA programs.

As mentioned before, the law sets a limit on the allowances for living expenses in the Pell Grant program. *The allowance may not exceed $1,600 for a student who has no dependents and who lives at home with his or her parents while going to school.* Note that the $1,600 limit applies to students who are single or married, dependent or independent, provided that they do not have dependents, and live at home with their parents. *For all other students, including those living on-campus, the allowance for living expenses is limited to $2,200.**

If it wishes, the school may designate reasonable amounts within the allowance for living expenses that are intended to cover the student's costs for room and board, books, supplies, transportation, and miscellaneous expenses. This amount may vary from program to program (for example, the books and supplies for a biology program might be more expensive than books for an education program). Some financial aid administrators have said that they find it helpful to designate the amounts used for these expenses, in order to justify and document the student's total costs, and to make individual adjustments where necessary.

CHILD CARE AND HANDICAPPED EXPENSES

✓HEA 86

Allowance for child care

The law has included an allowance, not to exceed a total of $1,000, for child care expenses for *all* of the student's dependent children. An allowance for child care can be included if the student has a dependent who is a child, and the child care is necessary to enable the student to go to school. A "child" is defined as a boy or girl who is too young to take care of him or herself without supervision (generally, 12 years or younger). A child is considered dependent on the student if the child can be included in the student's household size.

Allowance for handicapped students

An allowance must also be included for the costs of special services and equipment for a handicapped student to attend school. The financial aid administrator should base the allowance on the costs of that student. A student is handicapped if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or is otherwise health impaired, or has specific learning disabilities that require special education and related services.** There is no fixed limit to the allowance for educational expenses related to a handicap. However, you should be careful not to include costs for services or equipment that are provided free of charge by other assisting agencies.

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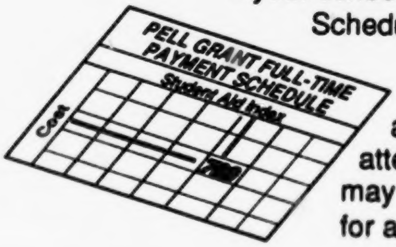
* The $1,600 and $2,200 limits are tied by law to the maximum Pell Grant award for the award year. If the maximum Pell Grant award changes in future years, these limits will also change.

** As defined in section 602(1) of the Education and Handicapped Act, as amended (20 U.S.C. 1401).

LOOKING UP THE SCHEDULED AWARD

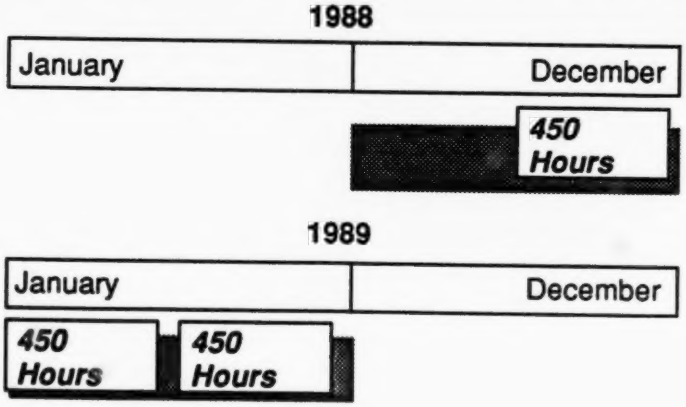
Once you have figured the student's cost of attendance, you can use the full-time Payment Schedule to look up the student's Scheduled Award. (You may not even have to use the printed Payment Schedule if your school has a computerized version of the Payment Schedule.)


PELL GRANT FULL-TIME PAYMENT SCHEDULE
Student Aid Index
Cost

The Scheduled Award is the amount that a student would receive for full-time attendance for a full academic year. A student may not be paid more than a Scheduled Award for an award year.

EXAMPLE:

A student enrolls in a clock-hour program that is 1350 hours long, and has an academic year of 900 hours. The first payment period begins in November of 1988. The student receives a full Scheduled Award for the first two payment periods (900 hours), and thus cannot receive a payment for the third payment period that occurs in that award year.



Limitation: 1 Scheduled Award for an award year

The same limitation that is shown in this clock hour example applies to students at traditional schools who enroll in a summer session after attending a full academic year on a full-time basis. However, if the summer term occurs at least partially in the next award year, the student could be paid for the summer term out of the next award year's funds. At the end of this section, we will discuss how to ensure that transfer students and students enrolled in summer terms do not receive more than a Scheduled Award for the award year.

In some situations, the student will receive *less* than a Scheduled Award, (if the student attends less than a full academic year, or is enrolled less than full-time). If your school uses academic terms, such as a semester, trimester, or a quarter, you will have to use the half-time and 3/4-time Disbursement Schedules to look up awards for part-time students (see Step 3). If your school does not use academic terms, you can go directly to Step 4, which explains how to calculate the amount of the award that can be paid for a payment period.

STEP

3

PART-TIME AWARD

PART-TIME AWARDS

If your institution is a clock hour school, or a school that does not use terms (such as a semester or a quarter) to measure progress, then you simply need to make sure that a student is enrolled as at least a half-time student to be eligible (see "Half-time enrollment" in Section One). Proceed to Step 4 to calculate the student's payment for a payment period.

If your school uses credit hours and academic terms to measure progress, then you must use the student's enrollment status (1/2-time, 3/4-time, or full-time) to calculate the amount of his or her payment. A school may use its own standard for enrollment status, provided the standard meets the minimum requirements defined in the regulations. Once a school has set its standards for enrollment status, it must use those standards consistently.

Enrollment status chart

To be considered --	*A student must take at least --*
Half-time	6 Semester or quarter hours per term or 12 semester or 18 quarter hours per academic year for non-term programs
3/4-time	9 Semester or quarter hours per term or 18 Semester or 27 quarter hours per academic year for non-term programs
Full-time	12 Semester or quarter hours per term or 24 Semester or 36 quarter hours per academic year for non-term programs

If a student is enrolled full-time, then the "annual award" for the student would be the same as the Scheduled Award that you looked up on the full-time Payment Schedule. If the student is enrolled part-time, however, the annual award is taken from the 3/4-time or 1/2-time Disbursement Schedules, as appropriate. In either case (full-time or part-time), the annual award represents the amount you would expect to pay the student for a full academic year if his or her enrollment status remained the same. If the student's enrollment status changes from one term to the next, you must recalculate the Pell Grant award using the new enrollment status. If the student's enrollment status changes within a term, you may have to recalculate the award under certain circumstances (see Section Five for information on recalculations).

CALCULATING THE PAYMENT FOR A PAYMENT PERIOD

STEP 4
PAYMENT PERIODS

The academic year is divided into payment periods. Instead of paying the student the entire Pell Grant award at the beginning of the course of study, the school must pay the award in installments to help meet the student's costs in each payment period. There are essentially three ways to break the Pell Grant award into payment periods. Which one you will use depends on whether the program (1) has academic terms and uses credit hours, (2) does not have terms, or (3) has academic terms but does not use credit hours.

Programs using academic terms

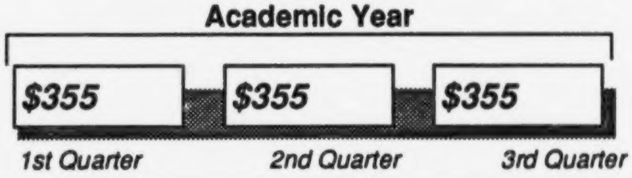
1) If the program uses academic terms and credit hours, the payment period is the semester, trimester, quarter or other academic term. Take the annual award from the appropriate Payment or Disbursement Schedule (based on the enrollment status of the student) and divide it by the number of payment periods (terms) in the award year. The result is the amount to be paid to the student for that payment period.

EXAMPLE:

A student enrolls in a program with three quarters in an academic year. The student has an SAI of 0 and is eligible for a Scheduled Award of $2130. However, the student is enrolled half-time, so the annual award from the Half-time Disbursement Schedule is $1065. How much should the student be paid for the first quarter?

Divide the annual award by the number of payment periods in the academic year.

$$\frac{\$1065}{3} = \$355$$



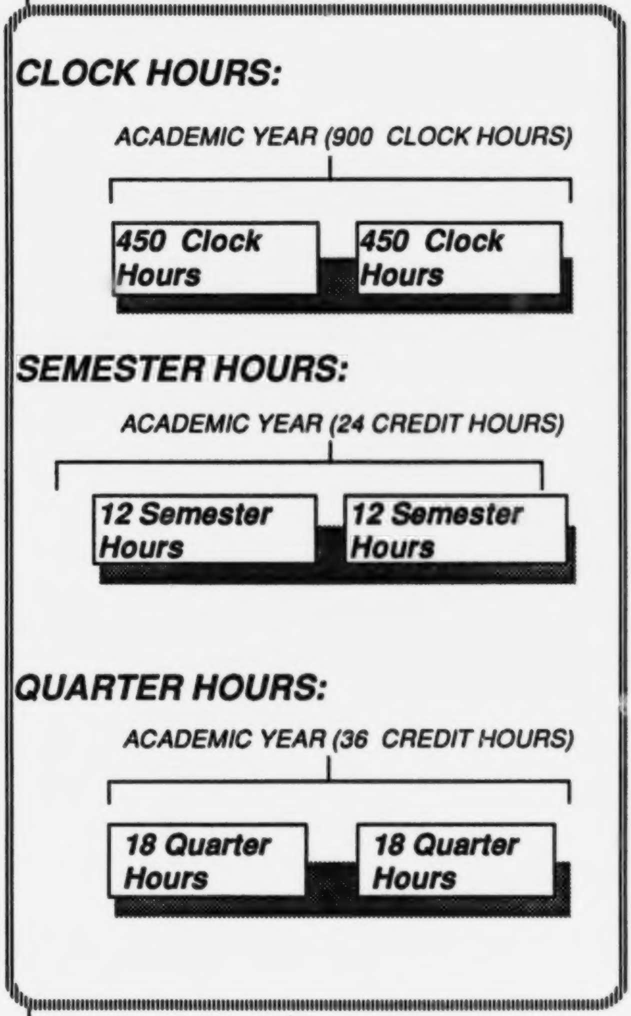
Please note that the calculation for term programs assumes that the terms are of equal length. If the terms are not of equal length, a different calculation should be used (see "Non-standard terms" under Special Program Considerations).

Non-term programs

2) If the program does not have academic terms, you have to find the length of the payment periods before you can calculate the payment.

Program length = 1 academic year

The simplest case is when the program is one academic year in length. An academic year must be divided into at least two equal payment periods. Thus, if a program is 900 clock hours in length, and the academic year is also 900 clock hours, the program would have two payment periods of 450 hours each. Programs using semester or quarter hours would be divided similarly.


CLOCK HOURS:
ACADEMIC YEAR (900 CLOCK HOURS)
450 Clock Hours
450 Clock Hours
SEMESTER HOURS:
ACADEMIC YEAR (24 CREDIT HOURS)
12 Semester Hours
12 Semester Hours
QUARTER HOURS:
ACADEMIC YEAR (36 CREDIT HOURS)
18 Quarter Hours
18 Quarter Hours

If the school wishes to divide the academic year into more than two payment periods, the payment periods must continue to be of equal length. For instance, a 900 clock hour program could be divided into three payment periods of 300 clock hours each, or four payment periods of 225 clock hours each.

Non-term programs:

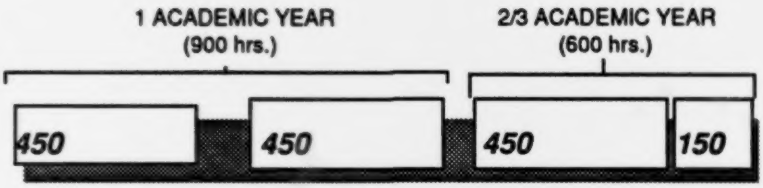
Program longer than an academic year

If the program of study is longer than an academic year, the payment periods would be continued until the program is over.

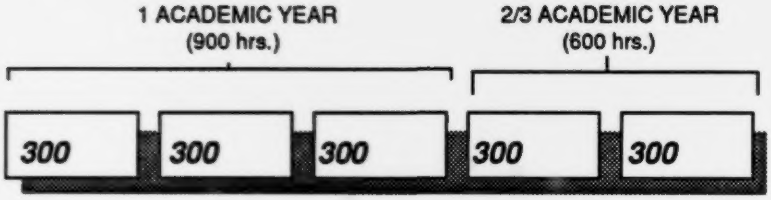
EXAMPLE:

A 1500-hour program with an academic year of 900 clock hours can be divided into 4 or more payment periods, depending on the number of payment periods the school uses for the academic year.

4 Payment Periods:



5 Payment Periods:



Note that while the payment periods used to divide an academic year are identical, in a program longer than an academic year the last payment period may be shorter than the rest, depending on the hours remaining in the program.

Program less than an academic year

If the program is shorter than one academic year, the program must be divided into at least two equal payment periods. For example, a 600 clock hour program could be divided into two payment periods of 300 clock hours each.

When a program is not measured by academic terms, progress is measured by the coursework that the student actually completes, whether the student is part-time or full-time. Thus, a part-time student and a full-time student will have the same payment period (450 clock hours, for instance), but it may take the part-time student 36 weeks to complete the payment period (12 hours per week), while the full-time student may only take 18 weeks.

STEP

PAYMENT PERIODS

4

Non-term programs: Payment calculation

If your school does not use academic terms, the payment for each payment period is based on the following calculation:

FORMULA:

$$\text{Scheduled Award} \times \frac{\text{Hours in Payment Period}}{\text{Hours in Academic Year}}$$

CLOCK HOUR EXAMPLE:

A school has a 900-hour program (with an academic year of 900 hours) that it divides into 3 payment periods of 300 hours each. What is the payment for each payment period for a student with a Scheduled Award of $2100?

$$\$2100 \times \frac{300}{900} = \$700$$

CREDIT HOUR EXAMPLE

A school has a program offering 42 quarter hours, with an academic year of 36 quarter hours. The school uses 2 payment periods of 18 hours each, with a remaining payment period of 6 hours. What are the payments for the 18-hour payment periods, and for the 6-hour payment period for a student with a Scheduled Award of $1200?

$$\$1200 \times \frac{18}{36} = \$600 \text{ (for the two18-hour periods)}$$

$$\$1200 \times \frac{6}{36} = \$200 \text{ (for 6-hour period)}$$

Remember that the student can only receive one Scheduled Award in an award year. Therefore, if the student was paid a full Scheduled Award ($1200 in the credit hour example above) for the first two payment periods from 1988-89 funds, he or she could only receive further payment for those payment periods that occur in the next award year. (See further discussion of "Crossover Payment Periods," below.)

Payments for program shorter than an academic year

It is also important to remember that even if a program is shorter than an academic year, the payment is still calculated using the academic year as the basis for the award. If the student in the example above had enrolled in a 600 clock hour program with a Scheduled Award of $1200, the student could not be paid more than $800 in that program. To use a clock hour example, let's assume the student has a Scheduled Award of $2100, and is enrolled in a six-month training program.

EXAMPLE:

The student enrolls in a 600 clock-hour program, consisting of two 300 hour payment periods. How much will the student be paid for each payment period?

$$\$2100 \times \frac{300}{900} = \$700$$

Total Award
for Program
(2 Payments): $1400

The student may only receive two-thirds of the Scheduled Award because the program is two-thirds of an academic year in length (600 hours/900 hours).

Completion of hours before next payment

One final note: in a program without academic terms, the payment period does not end until the student has completed all of the work paid for in the first payment period. Each subsequent payment period begins only when the previous one ends. However, a school may take into consideration “excused absences.” For example, if a school's written policy allows a student to miss up to 50 hours of the program, the school may still pay a student who had missed 20 of the first 450 hours for the next payment period at the same time it would pay a student who did not miss any hours. However, the absences must be excused -- that is, the student will not be required to make up the 20 hours of absences to receive the degree or certificate for the program.

3) If the program uses academic terms and clock hours, then the payment period is the semester, trimester, quarter, or other academic term used by the school.

However, the payments are calculated based on the number of clock hours in the payment period, just as in a non-term situation:

Academic terms using clock hours

FORMULA:

$$\text{Scheduled Award X } \frac{\text{Hours in Payment Period}}{\text{Hours in Academic Year}}$$

EXAMPLE:

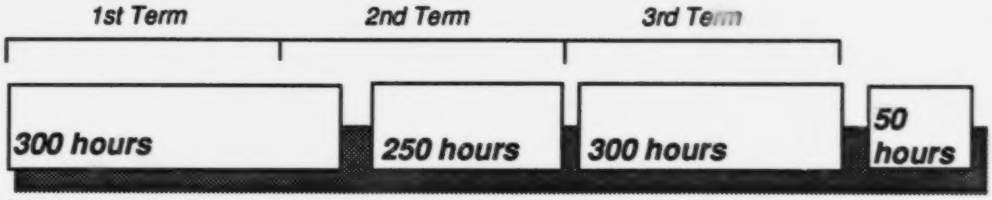
A school has an academic year of three terms, each consisting of 300 clock hours. What would be the payment for one term for a student with a $2100 Scheduled Award?

$$\$2100 \text{ X } \frac{300}{900} = \$700$$

As in a non-term situation, if the student does not complete the clock hours for which he or she was paid, the payment period continues until those hours are completed. If the payment period extends into another term, the next payment period will be the number of clock hours that would have been scheduled for that term minus the clock hours that belong to the previous payment period. Thus, the pattern of payment periods becomes somewhat different:

EXAMPLE:

A student enrolls in a program with 3 terms, consisting of 300 clock hours each. However, the student does not complete the 300 hours for the first term until 50 hours have elapsed in the second term. What are the student's payment periods for this program?



[If the academic year is defined as 900 hours the student's payment for the 2nd term will be 250/900 of the Scheduled Award, and for the last 50 hours will be 50/900 of the Scheduled Award.]

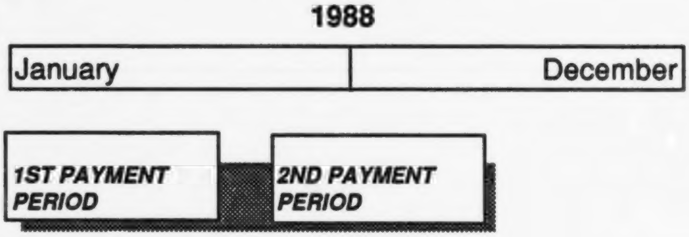
As you can see, because the first 300 hours extended into the second quarter, the second payment period is shortened, and a fourth payment period is added to pay for the hours remaining to be completed after the third quarter.

CHECKING REMAINING ELIGIBILITY: CROSSOVER PAYMENT PERIODS

Payment periods do not always fall neatly into one award year or another. When a payment period falls into two award years, it is referred to as a "crossover payment period."

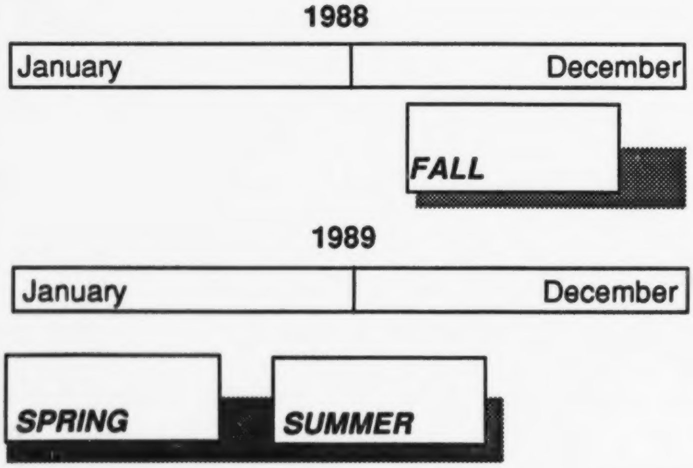
CLOCK HOUR EXAMPLE:

A student enrolls in a 900 clock-hour program on January 5, 1987. The first 450-hour payment period ends on May 15, and the second payment period runs from May 20-September 28.


1988
January
December
1ST PAYMENT PERIOD
2ND PAYMENT PERIOD

The second payment period begins in the 1987-88 award year, but "crosses over" into the 1988-89 award year, which begins on July 1, 1988.

SEMESTER EXAMPLE


1988
January
December
FALL
1989
January
December
SPRING
SUMMER

At a school with a traditional term calendar, the summer term is usually a crossover payment period.

With two exceptions, the basic calculation for a crossover payment period is the same as that for any other payment period. The two exceptions are crossover payment periods which are so short that they are actually "non-standard terms," and crossover payment periods that are made up of two or more "mini-sessions." Both of these exceptions are discussed in Section Three, "Special Program Considerations."

Payment from either award year

The school may make a payment for a crossover payment period out of either award year, provided the student has a valid SAR for the award year selected.* The decision of which award year to use is usually based on the student's remaining eligibility in the earlier award year. For instance, using the semester example, if a student had already been paid for two semesters as a full-time student in the 1988-89 award year, the student would already have been paid a full Scheduled Award for that year. However, if the student submits a valid SAR for the 1989-90 award year, he or she could be paid for the crossover period from that year's funds. In addition, a student may still be eligible for a summer payment from the earlier award year if the student has not attended for a full academic year. An example would be a student who enrolls at mid-year, in the spring session, and still has eligibility remaining for the summer term.

In other cases, a student will still be eligible to receive a Pell Grant payment for the summer term, even after receiving payments for all the terms in the academic year, because the student attended part-time. (See figure on opposite page.) However, the student may only be paid up to the amount of the Scheduled Award. If the student in the example enrolled as a full-time student, he or she would only receive the remaining amount of the Scheduled Award ($500), instead of a full-time payment.

Costs for crossover payment period

Costs for a crossover payment period are figured in the same way as for any other payment period — that is, the Pell Grant cost of attendance is based on a student's costs for a full academic year. In many cases, a school's tuition and fee charge for a summer session will be different than the charges for regular terms. The costs for the summer session would still be figured in the same way as for any other term.

For instance, if your academic year is defined as two semesters, you must not add the cost of the summer term to the costs for the two semesters. The award for the summer term is still based on the costs for one academic year, which is two semesters in this case.

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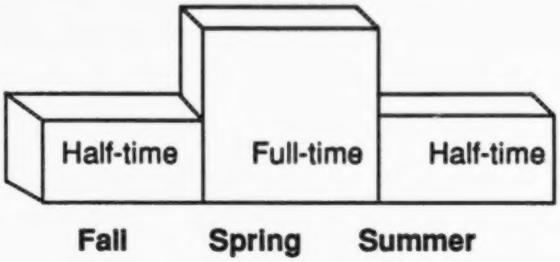
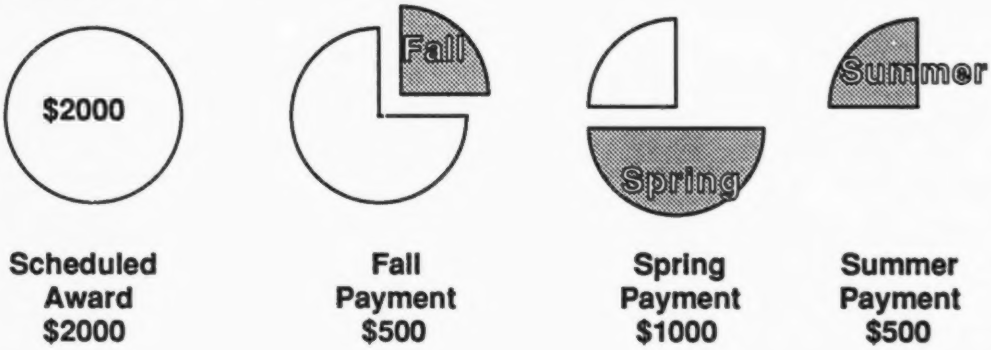
*There is one exception: if more than six months of the payment period occurs in a given award year, the Pell Grant payment must be made from that award year.

A student takes a half-time course load in the Fall semester, and a full-time load in the Spring. (The academic year is two semesters.)



The student has a Scheduled Award of $2000 at the school, and receives a $500 half-time payment for Fall, and a $1000 full-time payment for Spring. The student decides to enroll half-time in the Summer term at the school, which begins on June 15. Because the Summer term is a crossover payment period, the student is eligible for the remaining $500 of the Scheduled Award for that award year.



Remaining eligibility for summer payment

CHECKING REMAINING ELIGIBILITY: TRANSFER STUDENTS

Duplicate SAR and transcript needed

Transfer students present another case where the school must be careful not to exceed the Scheduled Award. To pay a Pell Grant to a student who was previously enrolled at another eligible school, you must first receive a duplicate Student Aid Report from that student. In addition, the student must make arrangements to have a financial aid transcript sent to your school by the other eligible school(s) that he or she attended. If the student has not already asked the other school(s) to send the transcript(s), you may request the transcript(s) on the student's behalf from the other school(s). The financial aid transcript requirement is discussed in more detail in Chapter Two of this *Handbook*, since it is a prerequisite for the receipt of aid from any OSFA program.

The Pell Grant payment for a transfer student is calculated in the same way as for any new student. That is, you must determine the Scheduled Award for the student at your school, and divide that award into payments for each payment period. However, before paying a transfer student, you must also check to make sure that the student does not receive more than 100 percent of his or her Scheduled Award during the award year.

Figuring percentage of remaining eligibility

The information you need is on the financial aid transcript from the previous school. First, find the percentage of the Pell Grant received at that school (divide the amount received by the student at the previous school by the student's Scheduled Award at that school). Then subtract this percentage from 100 percent. The result is the maximum percentage of the Scheduled Award that the student may receive at your school. (See figure below.)

Remaining eligibility for transfer students

EXAMPLE:

A student attends Fall and Winter terms at a school using academic quarters. The student then transfers to a school using semesters for the Spring semester. The financial aid transcript from the first school shows the student received $1000 in Pell Grant payments, and had a $1500 Scheduled Award. The student is eligible for a $2100 Scheduled Award at the new school. What is the maximum the student can be paid for the remainder of the award year at the new school?

$$\frac{\$1000}{\$1500} = 67\% \text{ of Scheduled Award used at first school}$$

Student is eligible for 33% of Scheduled Award at the new school.

$$33\% \times \$2100 = \$700$$

A student with a $2100 Scheduled Award would ordinarily receive a $1050 payment for one semester (if enrolled full-time). However, the transfer student in this example may not be paid more than $700, because the student has received 67% of the Scheduled Award at the first school.

Note that a transfer student receives the same payments as any other student, until the limit (100 percent of a Scheduled Award) is reached. An example would be a transfer student who enrolls for two terms in the award year at your school, and would ordinarily receive a $500 payment for each term. However, the student's remaining eligibility, based on payments at the other school, is only $600. Rather than "rationing" this amount by splitting it into two $300 payments for the two terms, you must pay the student the $500 for the first term, and the remainder ($100) for the second term. Thus, the student will have received a full payment for the first term, even if he or she does not return for the second term.

The reason for using percentages is that a transfer student may have different Scheduled Awards because the costs of attendance at the two schools may be different. The percentages are a way of comparing the portions of a student's eligibility that have been used at both schools. (If the student's Scheduled Award is the same at both schools, you can find the amount of the student's remaining eligibility by simply subtracting the amount received at the first school from the Scheduled Award.)

TWO MATHEMATICAL NOTES

1 When making a disbursement for a payment period, you should generally round up to the nearest dollar. Round up if the decimal is .50 or higher, round down if it is less than .50. For instance, if the calculation results in a payment of \$516.66, round up to \$517. If the calculation result is \$516.33, round down to \$516.

If the student will be attending several payment periods in the award year, you must alternate rounding up and rounding down to ensure that the student receives the correct amount for the year. Thus, if a student had a Scheduled Award of \$1025 to be paid in two payment periods, the first payment would be \$513 (rounded up from \$512.50, and the second payment would be \$512 (rounded down to ensure that the student is not overpaid for the year).

The same principle applies when there are three or more payment periods in the academic year. For instance, if the student has a Scheduled Award of \$1550 and enrolls at a school using quarter terms, the payment for each term would come to \$516.66. The first two payments would be rounded up to \$517, and the last payment would be rounded down to \$516 to reach the total of \$1550.

2 When using fractions, you must be careful to multiply first, and then divide, or you may create an overpayment. For example, if you are calculating the payment in a program that has three payment periods of 300 hours each, you should use the method in this example.

$$\$2100 \text{ X } \frac{300 \text{ (hours in payment period)}}{900 \text{ (hours in academic year)}}$$

Step 1: \$2,100 X 300 = 630,000

Step 2: 630,000 ÷ 900 = \$700

You can simplify this calculation by reducing the fraction 300/900 to 1/3, and get the same result. But if you divide the fraction to get a decimal (300/900 = .333333...) and then round the decimal either down (.33) or up (.34), your calculation will produce either an underpayment (\$693) or an overpayment (\$714).

SECTION THREE: SPECIAL PROGRAM CONSIDERATIONS

In the preceding sections, we have described Pell Grant calculations that apply to most postsecondary educational programs. However, your school may have programs that require "special handling." You should review the topics in this section to see if any of the programs at your school are affected.

COMBINED CREDIT AND CLOCK HOURS

Some programs are measured by a combination of credit and clock hours. Students in a combined clock and credit hour program would be subject to clock hour rules, i.e. the student must complete the coursework in the previous payment period before receiving further payments. The student is not paid based on enrollment status, but the student must be attending at least half-time. The Pell Grant regulations include a formula to find out whether a student taking both clock and credit hour courses is enrolled half-time.

If the sum of these two fractions is one or more, the student is enrolled at least half-time:

$$\frac{\text{Credit hours per payment period}}{6} + \frac{\text{Clock hours per week}}{12} = 1$$

Thus, a student who is taking a 3-credit hour course, and is attending 6 clock hours a week would be considered half-time.

$$\frac{3}{6} + \frac{6}{12} = 1$$

CONSORTIUM AGREEMENTS (BETWEEN ELIGIBLE SCHOOLS)

The Pell Grant regulations prohibit a student from receiving a Pell Grant from more than one institution at the same time. However, it is possible for a school to pay a student who is enrolled in one of its eligible programs for courses taken at other eligible institutions that apply to the degree or certificate in that program. To pay such a student, the school must first have a written consortium agreement with the other institution(s) that the student is attending.

Purpose of the agreement

The primary purpose of the consortium agreement is to establish that the "home" institution considers the student to be enrolled in an eligible program and unconditionally accepts those credits which are earned at the "host" institution for credit towards the degree in that program.

Elements of a consortium agreement

The agreement should further specify which institution will be responsible for disbursing aid and monitoring student eligibility. (Usually the home institution is responsible for disbursements, but if the student is enrolled for a full term or academic year at the host institution, it may be easier for the host institution to monitor the student's eligibility and make payments.) Other factors that may need to be addressed in the agreement are the applicable refund policy, satisfactory progress policy, and any special procedures for calculating the total cost of attendance and enrollment status for the student.

The consortium agreement can be a blanket agreement between two or more eligible schools, or it can be written for a specific case involving a specific student. Such an agreement is often used when the student takes related courses at neighboring schools, or when the student is in an exchange program with another eligible institution for a term or more. The written agreement ensures that the student will only receive payment from one institution in a given payment period.

Cost of attendance

The allowances for living expenses, child care, and handicapped expenses are calculated in the same way as for a student taking classes at only one school. The student's tuition and fee charges at more than one school may have to be adjusted. If the student is carrying a full-time course load (based on hours taken at both or all schools), the student's tuition and fee costs would be based on actual or average charges, depending upon whether the disbursing school uses actual or average charges for its Pell Grant awards.

Pro-rating average charges at each school

Actual charges for a full-time student would simply be the sum of the actual charges at the schools the student is attending under the consortium arrangement. If the disbursing school uses *average charges,* then the average charges at each of the schools must be pro-rated and combined. If the student is taking an equal courseload at each school, then the full-time tuition and fee charges for an academic year at each school can be averaged to determine the tuition and fee cost. However, if the student is taking an unequal course load, then you must pro-rate the charges based on the number of hours the student is taking at each school.

EXAMPLE:

A student is enrolled in a 3-hour class at School A and a 9 hour class at School B. The full-time tuition and fee charge for an academic year at School A is $2000, while the full-time charge at School B is $3000. What is this student's average tuition and fee charge for an academic year?

Pro-rate charge at School A:

$$\$2000 \text{ X } \frac{3}{12} = \$500$$

Pro-rate charge at School B:

$$\$3000 \text{ X } \frac{9}{12} = \$2250$$

Add the pro-rated charges at both schools:

$$\$500 + \$2250 = \$2750$$

Note that the denominator (the lower part of the fraction) must be the total number of hours that the student is taking at both schools. Average charges should also be pro-rated in this way to find the average full-time charge for a part-time student.

Combined enrollment status

The enrollment status of a student attending more than one school is based on all the courses taken at the consortium schools that apply to the degree or certificate at the "home" school. You may have to make some adjustments, if the coursework at the different schools is measured in different units.

Finding semester/ quarter hour equivalents

EXAMPLE 1:

A student is taking 6 semester hours at School A, the "home institution," and 9 quarter hours at School B as part of the program at School A. What is the student's enrollment in semester hours?

$$9 \text{ quarter hours} \times \frac{2}{3} = 6 \text{ semester hours (equivalent at School B)}$$

Then, the hours taken at both schools can be added together:

$$\begin{array}{rl} & 6 \text{ semester hrs. at School A} \\ + & 6 \text{ semester hrs. at School B} \\ \hline & 12 \text{ semester hours total} \end{array}$$

EXAMPLE 2:

In the same example as above, the "home institution" is School B, and the 6 semester hours must be converted into the equivalent quarter hours:

$$6 \text{ semester hours} \times \frac{3}{2} = 9 \text{ quarter hours (equivalent at School A)}$$

Then, the hours taken at both schools can be added together:

$$\begin{array}{rl} & 9 \text{ quarter hrs. at School A} \\ + & 6 \text{ quarter hrs. at School B} \\ \hline & 15 \text{ quarter hours total} \end{array}$$

It is the responsibility of the school that disburses the Pell Grant award to maintain information on the student's eligibility, how the award was calculated, what money has been disbursed, and any other documentation, even if some of that documentation must come from other schools.

If the written agreement is with an ineligible school, see the discussion of "contractual agreements" in Section Eight, Chapter Two of this *Handbook.*

COOPERATIVE EDUCATION

In a cooperative education program, the school assesses the work to be performed by the student and determines the equivalent academic courseload. The student's enrollment status is based on the equivalent academic courseload.

Costs for a co-op program

If a student has a co-op job for a term, the tuition and fees for that period are projected over a full academic year. For example, a student has a co-op job for the first quarter of the academic year, and pays a $50 fee and no tuition. The $50 fee is projected over all three quarters in the academic year, giving a tuition and fee total of $150. This amount is then added to the allowances for living expenses, child care, and handicapped expenses (if any) to arrive at the cost of attendance for that term.

CORRESPONDENCE STUDY

Half-time limit

An eligible correspondence program must meet the criteria for an eligible program (see Chapter 2 of this *Handbook*) and must require at least 12 hours of preparation per week. Students enrolled in programs of correspondence study are considered to be no more than half-time students, and thus are limited to no more than half a Scheduled Award. However, a correspondence student may receive more than half a Scheduled Award if the correspondence program includes a required period of residential training, or is combined with class instruction (see next topic).

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Costs in a correspondence program

The new cost of attendance rules for 1988-89 do not include separate calculations for correspondence students. Use the same rules to figure the cost of attendance for a correspondence program as you would for any other program (see Section Two).

Correspondence calculation

To calculate awards for a correspondence student in a program that is less than one full academic year long —

1. Use the student's Cost of Attendance and Student Aid Index to look up the Scheduled Award.
2. Divide the Scheduled Award in half. This is the student's Pell Grant award.
3. Divide the Pell Grant award into two equal payments (one for each payment period).

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* Either a nationally recognized agency or a State agency for the approval of public postsecondary education.

The school determines the length of the correspondence program by preparing a written schedule for the lessons to be submitted by the student. The first payment is made after the student has completed 25 percent of the work in the program, and the second payment is made after the student completes 75 percent of the work in the program.

Residential training

If the correspondence program has a required period of residential training, you must treat the residential training as an additional payment period, and use the standard clock hour calculation for that payment period. (see below.) Note that the correspondence portion of the program is still treated as a separate portion of the program that is divided into two equal payment periods.

EXAMPLE:

A student enrolls in a 600 clock-hour correspondence training program that has an academic year of 900 hours. However, the last 150 hours of the program are residential training. The student has a Scheduled Award of $2100. How are the student's payments calculated?

Divide Scheduled Award by 2 to determine student's half-time award for correspondence portion:

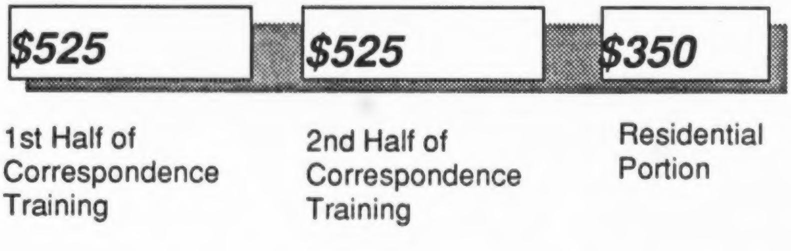
$$\frac{\$2100}{2} = \$1050$$

Divide half-time award into two equal payments:

$$\frac{\$1050}{2} = \$525$$

Calculate payment for residential training using standard clock-hour formula:

$$\$2100 \times \frac{150}{900} = \$350$$


$525
$525
$350
1st Half of Correspondence Training
2nd Half of Correspondence Training
Residential Portion

CORRESPONDENCE STUDY COMBINED WITH REGULAR STUDY

If correspondence coursework is to be combined with regular coursework, the correspondence courses must meet the following criteria to be included in the student's enrollment status:

1. The courses must apply toward the student's degree or certificate, or be remedial work to help the student in his or her course of study.
2. The courses must be completed during the period required for the student's regular coursework.

The amount of correspondence work that the school may include in the student's enrollment status is limited to the hours of regular coursework in which the student is enrolled. (However, if the student is taking at least a half-time load of correspondence courses, the student would be eligible for payment, regardless of the hours of regular coursework.)

The following chart gives examples of the above rules. The chart assumes that the school defines full-time enrollment as 12 credits per term, making half-time enrollment equal to 6 credits per term.
As you can see in the first five examples, the number of correspondence hours that were counted in the total course load were adjusted, so that the correspondence hours never exceed the regular hours taken. Note that in the last example, the student is eligible for payment based on half-time enrollment in correspondence courses, despite the fact that the student only took 2 hours of regular coursework.

Regular work (credit hrs.)	*Correspondence work (credit hrs.)*	*Adjusted Total Course Load*	*Enrollment Status*
3	3	6	1/2 -time
3	6	6	1/2 -time
3	9	6	1/2 -time
6	3	9	3/4-time
6	6	12	Full-time
2	6	6	1/2 -time

FOREIGN STUDY

A student can only be paid a Pell Grant for study at a foreign institution if the coursework is taken as part of an eligible program at an eligible U.S. institution. The foreign study arrangement must be covered by a written agreement between the two schools. Such an arrangement would have to meet the same requirements as a contractual agreement (see previous discussion in this section).

INCARCERATED STUDENTS

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The new cost of attendance rules for 1988-89 do not include separate calculations for incarcerated students. Use the same rules to figure the cost of attendance for incarcerated students as you would for any other program (see Section Two). However, the school should take into account the reduced living expenses for students who are incarcerated in penal or mental institutions. The school may develop a separate cost of attendance for incarcerated students.

JOB TRAINING (JTPA) PROGRAMS

If a program conducted with funding provided through the Job Training Partnership Act (JTPA) is offered by an eligible institution and meets the definition of an eligible program, eligible students in that program may receive Pell Grant assistance. The Pell Grant for students in JTPA programs is calculated in the same way as for any other Pell Grant recipient.

Tuition and fee charges for JTPA programs

A school may only include a tuition and fee charge in the cost of attendance for a Pell Grant recipient if that charge is actually made to the student, and is paid either by the student or by some type of student financial assistance (such as JTPA). The existence of such a tuition and fee charge must be documented in the same way as for any non-JTPA student — for instance, in the school's contract with the student, or in the agreement with the JTPA agency. (If the school charges the student for tuition and fees, the school would have to expect the student to pay the charge if the JTPA agency or other source of assistance does not pay on behalf of the student.)

On the other hand, if the school does not actually charge the student for tuition and fees (either because it is prohibited from doing so under the JTPA contract, or for any other reason), then no tuition and fee component would exist for the Pell Grant cost of attendance. Even if there is no tuition and fee component, the student's cost of attendance includes the standard allowance for living expenses, as described in Section Two.

NON-STANDARD TERMS

Standard terms are terms of approximately equal length. However, some schools may have terms of unequal length. Adjustments must be made to the student's cost of attendance, enrollment status, and payment calculation, so that the payment for a non-standard term is in correct proportion to the award for the full academic year. A non-standard term must be divided into more than one payment period if it is longer than half of the academic year.

Cost of attendance

In many cases, you will be using the same full-year cost of attendance for a non-standard term as you have used for other terms. In other cases, however, you will have to use the costs for the non-standard term to find the student's cost for a full academic year. (For instance, when the non-standard term is the first term in the award year, or if recalculation is required — see Section Five for rules on recalculation.) The allowance for living expenses for an academic year is not affected by the non-standard term. However, the tuition and fees charge for a non-standard term must be pro-rated to find the cost to the student for a full academic year. For example, if a student's first payment period will be the one-month term at a school using a 4-1-4 calendar, the tuition and fee charge for one month's coursework must be pro-rated to find the cost for the full academic year (9 months).

EXAMPLE:

A school has an academic calendar with two 4-month terms in the Fall and Spring, with a mini-term in between, in January. The tuition and fees for the one-month term are $750. What is the student's cost for a full academic year, for Pell Grant calculation purposes?

Pro-rate the tuition and fee charge based on the weeks in the academic year divided by the weeks in the non-standard term.

$$\frac{36 \text{ weeks}}{4 \text{ weeks}} \times \$750 = \$6750$$

Enrollment status

A similar adjustment must be made to find the student's enrollment status. Let's assume that the student in the one-month non-standard term is taking one class for three credit hours. A student enrolled for three credits over a standard term would be attending less than half-time, and could not be paid a Pell Grant. But a student earning three credits in one month may actually be attending full-time. To find out the minimum full-time workload in a non-standard term, use the following formula:

FORMULA:

$$\frac{\text{Weeks in term}}{\text{Weeks in academic year}} \quad \text{X} \quad \begin{array}{c}\text{Minimum full-time}\\ \text{enrollment for year}\end{array}$$

EXAMPLE:

The full-time enrollment status in a one-month term that is part of a nine-month academic year is 1/9 of the full-time standard for an academic year (at least 36 quarter or 24 semester hours). The following calculation would be used for a semester program that requires a minimum of 24 credit hours for full-time enrollment for an academic year.

$$\frac{4^{\text{weeks}}}{36^{\text{weeks}}} \quad \text{X} \quad 24^{\text{credits}} = 2.67$$

Thus, a student must be taking at least 3 credits in the non-standard term to be full-time. (Note that for enrollment status purposes, you must always round up to the next highest whole number.)

In this example, a student taking three credit hours or more in the one-month term would be considered a full-time student. To find the minimum courseload for a 3/4-time or half-time student, simply substitute in the above formula the number of credit hours that a student must earn in an academic year to be considered a 3/4-time or half-time student. (The minimum standard for 3/4-time enrollment for an academic year is 18 semester hours or 27 quarter hours; the minimum standard for half-time enrollment for an academic year is 12 semester hours or 18 quarter hours.)

Payment calculation

To calculate the student's payment, first look up the student's award on the Payment Schedule (as a full-time, 3/4-time, or half-time student). Multiply this annual award by the fraction on the following page to find the payment for the non-standard term:
Keep in mind that the same non-standard term calculation must be made for the two 4-month terms in the 4-1-4 calendar, or the student will receive an overaward.

FORMULA:

$$\frac{\text{Weeks in term}}{\text{Weeks in academic year}} \times \text{Annual Award}$$

EXAMPLE:

A student attends a one-month term as a half-time student (based on enrollment status figured above). The student's annual award as a half-time student is $1050.

$$\frac{4\text{ weeks}}{36\text{ weeks}} \times \$1050 = \$116.67$$

Thus, the student's payment for the one-month period is $117.

The non-standard term calculation does not have to be used if the school considers a short non-standard term to be a part of the standard term. For example, a school could consider that a semester or quarter contains within it the opportunity for a student to take additional credits on an accelerated basis — perhaps at night over a period of a few weeks during the term, perhaps on weekends, or perhaps in a short period of time immediately following the completion of regular courses in a term.

REMEDIAL COURSEWORK

A non-credit remedial course is one for which the school allows no credit towards a degree or certificate. A reduced-credit course is a course for which the school gives some credit towards the degree or certificate, but not as much credit as would normally be given based on the workload required by the course. To simplify the following discussion, we will use the phrase "non-credit remedial coursework" to refer both to non-credit courses and to the non-credit portion of a reduced-credit course.

Allowable coursework

When figuring enrollment status, the school must include any non-credit remedial coursework designed to increase the student's ability to pursue his or her program of study. However, the student must have already been accepted into an eligible program, and must be taking the remedial courses as a part of that program. If the student's acceptance into the program is conditional on the completion of the remedial work, the student is not considered to be enrolled in an eligible program while taking the remedial courses. Non-credit remedial coursework may not be included in the student's enrollment status if the coursework leads to a high school diploma or its equivalent.

The school determines how many credit or clock hours to include in the student's enrollment status for a remedial course by comparing the workload (classwork plus homework) in that course to the workload for the most comparable course that is not reduced credit or remedial.

One-year limit

There is a limit on the amount of non-credit or reduced-credit coursework that can be included in a student's enrollment status. The school may not take into account more than one academic year's worth of non-credit remedial coursework (the equivalent of 30 semester hours, 45 quarter hours, or 900 clock hours) for any individual student. However, courses in English as a Second Language do not count against the one-year limit.

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ESL as an eligible program

Prior to the Higher Education Amendments of 1986, a student could only be paid a Pell Grant for courses in English as a Second Language (ESL) if those courses were part of an eligible postsecondary program. A student enrolled in a program that consisted entirely of ESL coursework could not be paid a Pell Grant because ESL coursework was considered remedial in nature, and thus could not be an eligible postsecondary program by itself. The Higher Education Amendments of 1986 permits schools to pay Pell Grants to students who are enrolled in ESL programs if the school determines that the program enables the student to utilize already existing knowledge, training, or skills. To be eligible for Pell Grant purposes, the ESL program must consist solely of ESL coursework, must meet the definition of an eligible program (see Chapter Two, "General Program Requirements), and may only admit undergraduate students who need the

Requirements), and may only admit undergraduate students who need the ESL program to utilize existing knowledge, training, and skills. To apply for a determination of the eligibility of an ESL program, the school should contact the Division of Eligibility and Certification (see organizational listing in Chapter One for contact).

SUMMER MINI-SESSIONS

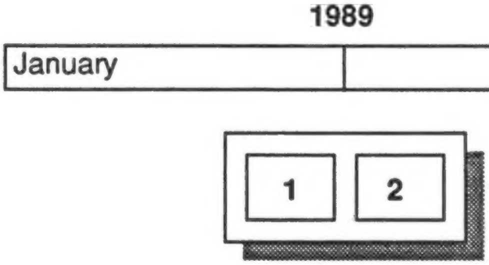
If a term-based school offers a series of mini-sessions that overlap two award years (by "crossing over" the June 30 end date for one award year), these mini-sessions must be combined and treated as one term.
The student's enrollment status for the entire payment period must be calculated based on either:

1. The total number of credits enrolled in for all sessions, if that number is known when the award is calculated.
2. A projected number of credits based on the credits enrolled in for the first session if the number of credits to be taken in subsequent sessions is unknown when the award is calculated.

A student may not be paid more than the amount for one payment period for completing any combination of the mini-sessions.

EXAMPLE:

A school offers two mini-sessions over the summer, from May 20 - June 28 and from July 2 - August 28.



Because the two mini-sessions cross the July 1st award year boundary, they must be combined for calculation purposes and treated as one payment period.

IMPORTANT: Note that recalculation is required if the student does not ultimately attend the projected classes in a subsequent mini-session. See "Change in Enrollment Status" in Section Five of this Handbook.

SECTION FOUR: DISBURSING PELL GRANT AWARDS

It may seem that the lion's share of the work is completed, once the student's award has been calculated. However, there is still the matter of actually getting the payment to the student. In this section we will discuss the certification statements required from the student and the aid administrator before payment. We will also discuss how payments can be made (by check or credit to the student's account) and when the payments can be made.

STUDENT ELIGIBILITY AND SCHOOL CERTIFICATION

It is usually a good idea to review the student's eligibility at the time of payment. For instance, a student may have been making satisfactory progress when award letters were mailed in the Spring term, but may no longer be making progress when he or she comes to the business office for payment at the beginning of the Fall term. Make sure that the student still meets the eligibility requirements for the Pell Grant, and that the appropriate documentation is in the student's file.

School Certification

The financial aid administrator at a school must complete and sign the certification statement on the payment document (Part 3 of the SAR), unless the school uses the automated Recipient Data Exchange (RDE) system to report to the Department. The statement certifies that the student's Pell Grant was calculated in accordance with program regulations and the instructions in the *Federal Student Financial Aid Handbook* and the 1988-89 Payment Schedule. The statement further certifies that the student is making satisfactory progress, has signed the required certification statements, and has completed verification (if required).

As noted in the School Certification, the school is liable for incorrect payments made to the student because of a mistake by the school. The financial aid administrator is subject to a $10,000 fine, a prison sentence, or both if he or she knowingly makes false or misleading statements on the SAR.

METHODS OF DISBURSEMENT

There are two ways that a school may pay a Pell Grant to a student: either by crediting the student's account for any outstanding educational expenses, or directly (by check). Usually a school will use the Pell Grant to credit the student's account for any unpaid charges for tuition and fees (and room and board), and then will disburse the remaining amount of the Pell Grant (if any) to the student for living expenses.

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Limitation on credit to account

The Higher Education Amendments of 1986 include a new provision that a school may only credit Pell Grant funds to a student's account at that school for tuition and fees, and room and board (if the student has a contract for room or board with the school). The school may only use the Pell Grant to pay other charges at the school if the student authorizes such payment in writing. The school may not require the student to authorize such payments. As with any OSFA aid, payments may only be made for educational expenses.

Early payment option

The program regulations permit a school to pay a student before the beginning of a payment period, if the student has already registered for that payment period. The earliest a school may credit a registered student's account is 3 weeks before the first day of classes in the payment period. The earliest a school may directly pay such a student is 10 days before the first day of classes in the payment period. (Please note that in a clock hour or non-term program the school may not pay a student until the student has completed the coursework for the previous payment period.)

If a Pell Grant payment is made to a student before the payment period begins, but the student never actually begins attendance in any classes, the school must reimburse the Pell Grant account for that payment. (If the student begins attending some but not all of his or her classes, you may have to recalculate the Pell Grant award — see the next section, on "Recalculating the Pell Grant Award.")

FIRST PAYMENT WITHOUT A VALID SAR

Beginning with 1987-88 award year, a school has the option of making a first Pell Grant payment to an eligible student before the student has submitted the valid SAR to the school. To use this option, the school must have received the student's *official* SAI and application information, on an MDE output document or the SAR or on a full data tape (for schools that use the tape exchange system). Once the "first payment" option has been used, no further payments can be made to the student until the student submits a valid SAR to the school. In addition, the school and the student are liable for the first payment if the student does not submit a valid SAR within the established deadlines. The school and the student are also liable for the amount of any overpayment that cannot be adjusted in subsequent Pell Grant payments in the award year.

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"First payment" option

The first payment option is useful if your school participates in the tape exchange system and has received the SAI and application information for a student on an MDE output document or on the full data tape, but the student has not yet received the SAR.* It can also be used to make a first payment to a student who needs to make corrections. Any time you make a first payment based on your recalculation of the SAI, however, you must submit the student's SAR for reprocessing (using Part 2 of the SAR). You may not make the corrections on Part 3 of the SAR or on the full data tape.

TIMING OF PAYMENTS

The school may use its discretion in disbursing funds within a payment period to best meet a student's needs. For instance, some schools pay students on the first day of class in a payment period, while others wait until the end of the add/drop period. Other schools pay the student in monthly installments to help meet living expenses throughout the payment period. In all cases, however, the full amount due the student for a payment period must be disbursed to the student before the end of the payment period.

The school may pay a student retroactively for any completed payment periods within the award year, if the student was eligible for payment in those periods. However, the retroactive payment must be based on the the coursework completed by the student. Thus, if a student brings in a valid SAR while enrolled as an eligible student in the Spring term, but was also enrolled and eligible for payment in the Fall term, that student can be

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* For a more detailed explanation of how the processing system works, see Section Three, "Using the Federal Processing System," in Chapter Two of this *Handbook*.

Retroactive payment

paid retroactively for the Fall term. However, the Fall payment would be based on the hours completed by the student for that term. If the student had enrolled as a full-time student at the beginning of the Fall term, but dropped to half-time status by the end of the term, the retroactive payment must be based on half-time status.

Notification of payment

The school must notify the student of the amount he or she will be paid, and the method of payment (by credit to account or by check). If the school will be paying the student by check, it must tell the student when the check will be available and where to go to pick it up. (It is helpful to include the cashier's office hours in any notification.)

If the student does not pick up the check on time, the school must still make that payment available to the student for the 15 days after the student's last day of enrollment for that award year. Instead of holding the check for that period, the school may cancel the first check and issue a new check when the student requests payment.

If the student has not picked up the check at the end of the 15-day period, the institution may credit the student's account for any outstanding charges for tuition and fees and room and board for the award year. If the student contacts the school to request the check more than 15 days after the student's last day of enrollment, the school may pay the student (if it chooses) through the next payment period.

Payments to students who have completed a program

If there is a delay in a school receiving its Pell Grant funds, some students could complete their program or academic year before receiving their final Pell Grant awards. If this happens, as soon as the school receives its funds, it must pay any student who submitted a valid Student Aid Report by the appropriate deadline. Even though these students would receive their payments late, no regulations would be violated because the students had previously met all the requirements for payment.

Payments to students who have lost eligibility

Ordinarily, a student who has lost his or her Pell Grant eligibility cannot be paid. However, in some cases, a student may have presented a valid Student Aid Report to the school while eligible for payment, but lost eligibility before his or her account was credited or a check was written. Rather than penalize the student for circumstances beyond his or her control, the regulations require the school to pay the student out of Pell Grant funds for the educational expenses that the student incurred up to the day that the student became ineligible.

For example, a student submits a valid SAR during the second week of classes, and is eligible for payment at that time. But by the time the check is processed for the student's cash disbursement and the student has been notified to pick the check up, the student drops below half-time enrollment. The aid administrator must decide what educational expenses (for living expenses, transportation, books and supplies, etc.) the student could reasonably have incurred, up to the date that the student lost eligibility. The same principle would be used to credit the student's account for any outstanding school charges for tuition and fees, or room and board.

SECTION FIVE: RECALCULATING PELL GRANT AWARDS

The Pell Grant award may have to be recalculated if the student's information changes after the initial calculation or disbursement. (Please keep in mind that this section discusses *award recalculations*, using the Payment Schedule, as opposed to recalculations of the Student Aid Index.) Of the significant factors that go into calculating a Pell Grant award, the three that are most likely to change are the Student Aid Index, enrollment status, and cost of attendance. The Pell Grant regulations specify when a school must recalculate an award to take these changes into account, as described below. The recalculation may require adjustments in the student's subsequent payments, or even repayment of the entire Grant, as discussed in the next section ("Overpayments and Overawards").

CHANGE IN THE STUDENT AID INDEX

There are three reasons why the SAI for a student may change during the award year:

Types of SAI changes

Corrections. The student may have to correct an error on the original application or on the previous SAR. This frequently occurs as a result of verification, but it may also be a result of the student's own review of the information on the SAR.

Updating. The student is required to update three projected data elements if they change for a reason other than a change in marital status: dependency status, household size, and the number of family members in postsecondary education.

Changes made by the aid administrator. The aid administrator now has the authority to use professional judgement to adjust the Student Aid Index and to override the student's dependency status. In most cases, the aid administrator will have made these changes

Types of SAI changes

before the initial disbursement to the student, but there will be occasions when the aid administrator only becomes aware of the need for an adjustment or an override after the first disbursement has been made.

Recalculation based on valid SAR

If a student submits a Student Aid Report (SAR) with a different Student Aid Index than that on the SAR that was used for the payment calculation, you must first decide which SAR is valid. Is this new SAR the result of corrections to the previous SAR? Are the corrections accurate and consistent with the student's other information? If the new SAR is the valid SAR, you generally must recalculate the student's Pell Grant award for the entire award year based on the new SAI.

Exception: verification extension

The one exception is in the case where a student submits a reprocessed SAR under the verification extension, and the reprocessed SAR would increase the student's eligibility. A student may not increase his or her eligibility by using the extension. Therefore, if the reprocessed SAR has a lower SAI than the previous SAR (increasing the student's eligibility), recalculation is not permitted. The student would be paid based on the higher SAI. (If the corrections *reduce* the student's eligibility, i.e., the reprocessed SAR has a higher SAI, then the award must be calculated based on the reprocessed SAR.)

CHANGE IN ENROLLMENT STATUS

Students in clock hour programs and programs without terms are not paid based on enrollment status; therefore, no recalculation is necessary for changes in the hours taken by students in these programs. (However, keep in mind that a student must maintain at least half-time enrollment in order to be eligible for payment).

Required recalculation: student does not attend class

In a term program that uses credit hours, a school must calculate a student's payment for each term based on the enrollment status for that term. Thus, if a student attended full-time for the first term, and then enrolled half-time in the second term, you must use the half-time enrollment status to calculate the student's payment for the second term. In addition, if the student does not begin attendance in all of his or her classes, you must recalculate the student's award based on the lower enrollment status. For instance, a student registers for a full-time course load (15 hours) but only begins attendance in three classes (9 hours). In this case, the student's Pell Grant award must be recalculated based on the lower enrollment status.

Optional recalculation: enrollment change within a term

The regulations do not require any recalculation for changes in enrollment status after the student has begun attendance in all of his or her classes. However, some schools have a policy of recalculating an award if a student's enrollment status changes at any time within a term. If such a policy is established, it must be applied consistently to all students. That is, if the school chooses to recalculate for a student who changes from half-time to full-time, it must also recalculate for a student whose enrollment status decreases.

Payment when enrollment changes within a term

If your school does not establish a policy for recalculation within a payment period, a student who began attendance in all classes would be paid based on the initial calculation, even if his or her enrollment status changes before the payment is made. For instance, a student registers full-time, submits a SAR, and begins attending all of her classes. The financial aid administrator calculates a full-time award, but by the time the student comes to pick up the check, she has dropped to half-time enrollment. The student is still paid based on full-time enrollment, as long as she is enrolled at least half-time and is still eligible for the payment. On the other hand, if the student did not submit her SAR until after she had dropped to half-time enrollment, the Pell Grant calculation would be based on the student's enrollment status at that time (half-time).

[There are two other situations with respect to changes in enrollment status that you should be aware of. The student may drop *below* half-time status, and no longer be eligible for payment. We discussed this situation in Section Four, under "Payments to Students who have Lost Eligibility." If a student withdraws from school completely, you should refer to the discussion of "Refunds and Repayments" in Chapter 2 of this Handbook.]

CHANGE IN COST OF ATTENDANCE

Schools are not required to recalculate Pell Grant awards for cost of attendance changes during the award year. However, if the school recalculates for a change in enrollment status, it must also take into account any changes in the cost of attendance at that time.

Cost changes between payment periods

Some schools elect to recalculate awards when the cost of attendance changes from one payment period to the next. This may happen because of changes to the student's tuition and fee costs, or because the student's living situation changes (for example, the student moves off-campus). A school may recalculate Pell Grant awards for cost changes within the award year as long as the recalculation policy is carried out for all students whose costs change.

Cost changes within a payment period

Some schools also recalculate financial aid awards when a student's costs change *within* a payment period. For instance, if a student moves from a dormitory to off-campus housing at midterm, the school may wish to recalculate the student's award for that payment period. Again, for Pell Grant purposes such a policy is acceptable if it is carried out for all students whose costs change within the payment period. Note that a school may establish a policy of recalculating for cost changes from one payment period to the next and at the same time have a policy not to recalculate for cost changes *within* a payment period.

Please keep in mind that you may not recalculate the payment for a payment period that took place *before* the cost change. For example, if a student lives in the dormitory during the first quarter and then moves off-campus for the second and third quarters, the recalculation would only affect the payments for the second and third quarters.

SECTION SIX: OVERPAYMENTS AND OVERAWARDS

An overpayment of a Pell Grant occurs any time the student receives a payment that is greater than the amount for which the student is eligible. Examples of the three most common types of overpayments are given below.

Types of overpayments

1) ***School error,*** for instance, when a student's award is taken incorrectly from the Payment Schedule, or when the school pays a student who is not making satisfactory progress.

2) ***Student error,*** such as failing to report spouse's income on the application.*

3) ***Required recalculations,*** when a student does not begin attending all of his or her classes, or withdraws from school after receiving a cash disbursement for living expenses. (See "Refunds and Repayments" in Chapter Two of this *Handbook* for repayment calculation.)

No matter what the reason for the overpayment, it must be repaid by the student. In addition, if the overpayment is the result of a school error, the school must repay the Pell Grant account whether or not it succeeds in collecting the overpayment from the student.

---

* In the case of student-reported information, a financial aid administrator may rely on the information that the student reports, provided it is consistent with all other sources. Any information that the aid administrator discovers is wrong must be corrected according to the procedures in the *Verification Guide.*

CORRECTING OVERPAYMENTS

If a school has made an overpayment to a student, it may continue to make payments to that student under certain circumstances:

> ***If the overpayment is due to an error of the school,*** the school may continue to make Pell Grant payments to the student if the student acknowledges the overpayment in writing and agrees to repay it in a reasonable period of time, or if the overpayment can be eliminated within that award year by reducing the student's subsequent Pell Grant payments during the award year. Of course, the student must still meet all other eligibility criteria for payment.
>
> ***If the overpayment is not the school's fault*** (for instance, if the student made a mistake on the application), the school may only continue to make Pell Grant payments to the student if the school can reduce the student's subsequent Pell Grant payments to eliminate the overpayment in that award year. Again, the student must continue to be eligible for payment.

Collecting overpayments

If the overpayment is not the school's fault and cannot be eliminated in that award year, the school may not make further Pell Grant payments to that student until the student repays the school. If the student will not agree to repay, the school is not liable to the Department of Education, but must make a reasonable effort to contact the student and collect the overpayment.

Note that in cases where the overpayment is the result of an error on the Student Aid Report (SAR), the overpayment is the difference between amount the student was eligible for (based on correct SAR information) and the amount the student was actually paid.

Referrals to the Department

The school must notify the U.S. Department of Education if the institution has serious difficulty in collecting — for example, if it cannot contact the student or the student is uncooperative, or if it establishes a repayment plan and the student refuses to pay or discontinues payments. If the school is unable to recover or eliminate an overpayment that is not the school's fault, the school must refer the student's case to the U.S. Department of Education for collection. (The new referral procedures for overpayments are discussed in the 1988-89 *Verification Guide*.)

After the Department has received the school's information, collected the overpayment from the student (if possible), and resolved the case, it will notify the school by letter of the results. Please note that until ED has reached a final resolution of the referred case, the school may not make any further payments to that student under any OSFA program.

Effect on eligibility for other OSFA programs

A student who is ineligible because he or she owes a repayment on a Pell Grant may not receive assistance from any of the OSFA programs. Similarly, if the student is ineligible because he or she owes a repayment or is in default on other OSFA grants or loans, that student would also be ineligible for a Pell Grant. The general eligibility rules for students in default or overpayment status are discussed in Chapter Two, Section One.

PREVENTING OVERAWARDS

✓HEA 86

Adjusting the SAI

From the inception of the program, the Pell Grant has been regarded as the first source of assistance to the student. Therefore, the Pell Grant was never adjusted, even if the student's combined aid package exceeded the student's need. However, the financial aid administrator may now use professional judgement to adjust the Student Aid Index to take into account other resources of the student, such as outside aid. See Section Three, Chapter Two for an example of how to make such an adjustment.

Adjusting campus-based aid

The aid administrator is responsible for preventing an overward by adjusting the aid the school does control. Usually, it will be easier to adjust aid from other programs (rather than the Pell Grant), assuming the financial aid office has control of that aid. If the student is receiving campus-based aid in addition to a Pell Grant, the campus-based aid *must* be adjusted to prevent an overaward.

EXAMPLE:

The student receives a Pell Grant and a Supplemental Educational Opportunity Grant at the beginning of the award year. After the SEOG has been awarded, the school learns that the student will receive a scholarship from a foundation outside the school. The school is required to adjust the SEOG to eliminate the overaward.

Note that if the student's aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell Grant may not be used to pay back the loan — a loan repayment does not constitute an educational expense.

Estimated Financial Assistance

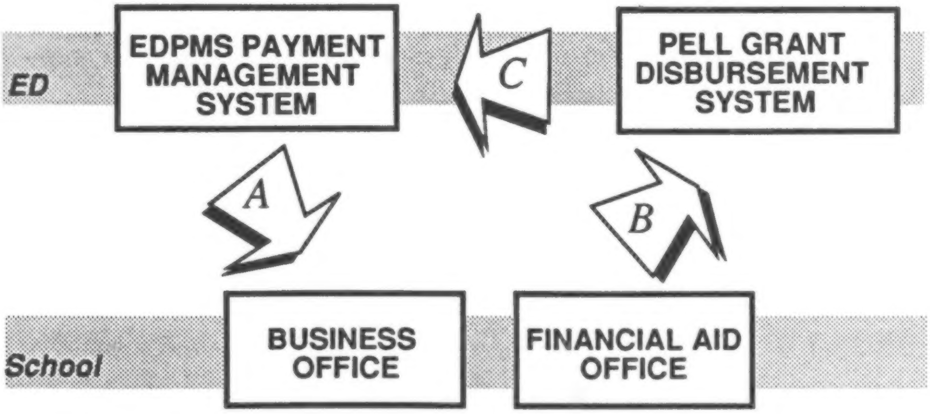
In addition to adjusting any campus-based aid, schools are now required to include an estimate of the student's Pell Grant eligibility as a part of the student's "estimated financial assistance" when certifying the Guaranteed Student Loan application. (See Chapter Nine of this *Handbook* for further information.)

SECTION SEVEN: REPORTING EXPENDITURES

So far, we have concentrated on how the school calculates and pays the Pell Grant to the student. This section will explain how to report your Pell Grant payments to the Department through the Pell Grant Disbursement System, and how this reporting system affects your authorization.

Pell authorization

The authorization for your school is the maximum amount that the school may draw down from the ED Payment Management System, which we will discuss at the end of this section. At the beginning of each award year a school is given an initial authorization based on an estimate of the Pell Grant funds the school will need to cover its first payments. As the award year progresses, the authorization for your school will need to be adjusted, based on the actual number of eligible students who submit Student Aid Reports.


ED
EDPMS PAYMENT MANAGEMENT SYSTEM
C
PELL GRANT DISBURSEMENT SYSTEM
A
B
School
BUSINESS OFFICE
FINANCIAL AID OFFICE

A

Business office draws down funds from EDPMS based on initial authorization, pays Pell awards to students

B

Financial aid office reports student payment data to disbursement system, using Part 3 of SAR

C

Data from disbursement system is used to adjust school's authorization for future funds

The Pell Grant Disbursement System serves two basic functions. First, it enables the Department to track a school's need for funds as the award year progresses, and to adjust the school's authorization on that basis. Second, the Disbursement System provides the documentation to reconcile the school's total expenditures at the end of the year with the records of the eligible students who were paid by the school. The Pell Grant funds that you report to the ED Payment Management System (ED/PMS) as expended must equal the total payments to eligible Pell Grant recipients at the school, as shown by the records for each student.

REPORTING METHODS

There are three different methods for a school to report payment information to the Department. The first is to mail the paper documents (SAR Payment Documents and the Institutional Payment Summary) to the Pell Grant Disbursement System, addressed to "Pell Grant Program, P.O. Box 1400, Merrifield, Virginia." In addition, there are two automated methods to transmit the same information.

Recipient Data Exchange

The most widely used automated method is the *Recipient Data Exchange (RDE)* method. The school transmits a tape with an accompanying Institutional Payment Summary to the Disbursement System. The information on the data tape is similar to the information contained on the Payment Document.

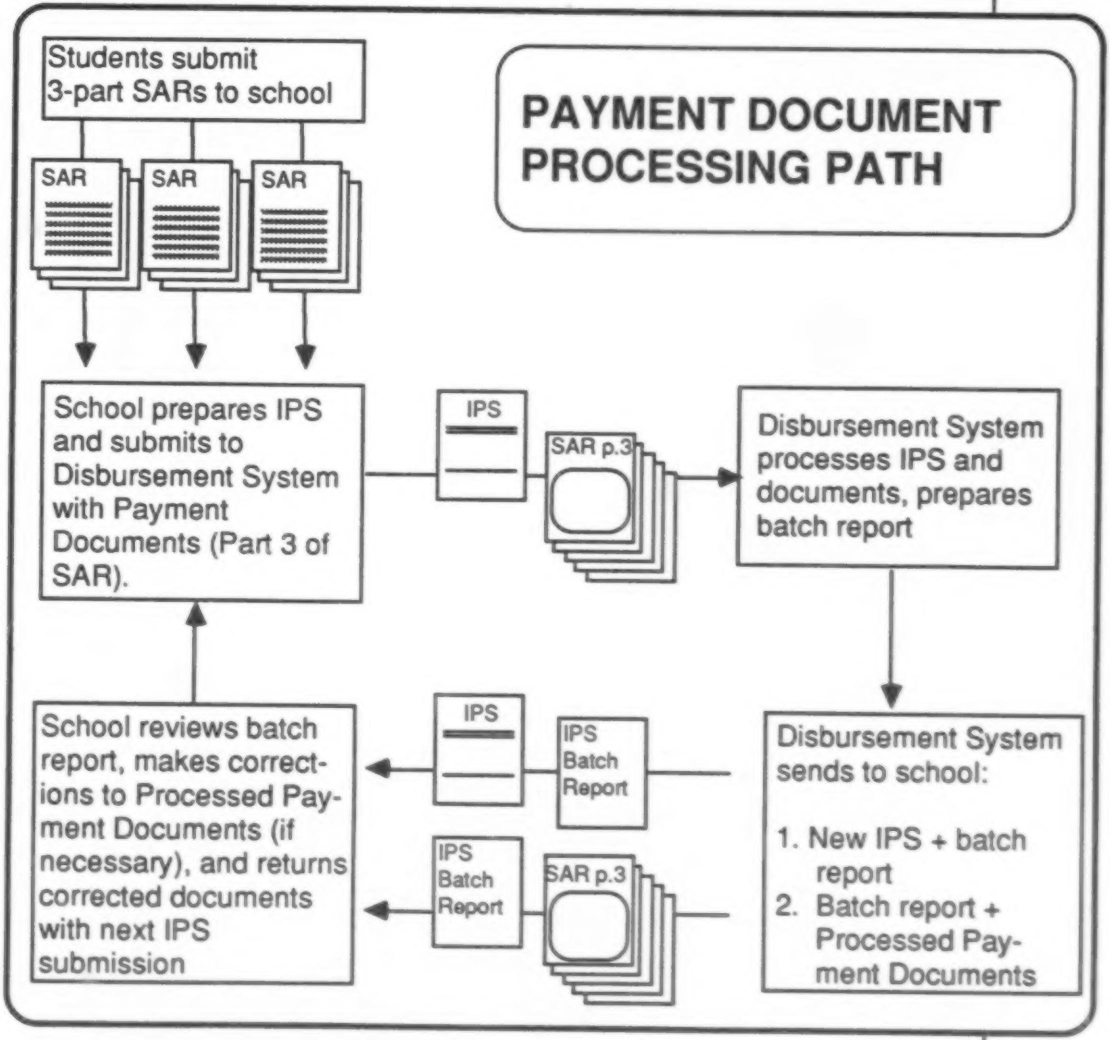
Pell Electronic Data Exchange

More recently, the Department has begun the *Pell Electronic Data Exchange (PEDE),* which allows schools or their service agents to make corrections to the student information on the SAR and to fill out Part 3 of the SAR using the school's computers. This information is transmitted electronically by telephone line overnight to a communications network, which in turn transmits the information to the Disbursement System, thus greatly speeding up the corrections and reporting process.

Because there are specific materials for schools that participate in the RDE and the PEDE, we will be describing the steps in the reporting process from the point of view of schools that use "hard copy" paper documents. However, you may want to read this section even if you are at an RDE or PEDE school. All three methods transmit the same basic student information. The only difference is the way in which the information is sent: by paper, by computer tape, or electronically.

PAYMENT DOCUMENT

The basic document in the Disbursement System is Part 3 of the Student Aid Report, known as the Payment Document. After the student submits the Student Aid Report to the school, the school fills in the award information on the back of the Payment Document. The school periodically sends Payment Documents for its students to the Pell Grant Disbursement System in a batch, with a transmittal form known as the Institutional Payment Summary.


PAYMENT DOCUMENT PROCESSING PATH
Students submit 3-part SARs to school
SAR
SAR
SAR
School prepares IPS and submits to Disbursement System with Payment Documents (Part 3 of SAR).
IPS
SAR p.3
Disbursement System processes IPS and documents, prepares batch report
Disbursement System sends to school:
1. New IPS + batch report
2. Batch report + Processed Payment Documents
IPS
IPS Batch Report
IPS Batch Report
SAR p.3
School reviews batch report, makes corrections to Processed Payment Documents (if necessary), and returns corrected documents with next IPS submission

The Disbursement System returns a printed version of these Payment Documents to the school, with comments printed on the front, and the data accepted by the System printed on the back. If the student's situation changes, and the anticipated payments will not be made, the school must report this change by resubmitting the Processed Payment Document to the Disbursement System with those changes. For instance, a student may drop from full-time enrollment in one term to half-time in the next, or may no longer be making satisfactory progress, or may simply not return in the second payment period. In each of these cases, the school must adjust the "Amount to be paid" item and any other relevant items on the Processed Payment Document and return it to the Disbursement System.*

INSTITUTIONAL PAYMENT SUMMARY

Pre-award IPS

The Institutional Payment Summary (IPS) is a transmittal form for the Payment Documents from your school. In the spring, ED sends a pre-award IPS to central campuses and to each branch campus that has its own unique Pell ID number. *Do not send in Payment Documents when you submit the pre-award IPS.* The pre-award IPS is used to confirm general information about your school and sets the standard costs of attendance and the hours in the award year that you will be using for most of your students. If your school has participated in the Pell Grant Program in the previous year, the pre-award IPS will have pre-printed information for each of the items in Section 1 (the pre-award IPS does not have a Section 2). Review this information carefully. If the information is not accurate, correct the pre-award IPS and return it to the address given at the bottom of the form.

Standard Costs

Pay particular attention to *Item 8*, "Standard Cost of Attendance." Your school can establish up to 10 standard cost categories. Using these categories saves time in filling out documents, because you can fill in the one-letter code rather than the full number on each Payment Document. You should review these cost categories each year to make sure that they are still an accurate reflection of the Pell Grant cost of attendance at your school (see the section on "Calculating Pell Grant Awards" for a description of Pell Grant costs). Once you have used a particular cost category in that award year (by submitting a document for a student with that cost), that standard cost may not be changed.

Note that you may not set a standard cost that exceeds the statutory allowances (Section Two). The student's cost of attendance may be greater than the statutory allowances if you make an individual adjustment to the student's costs based on special circumstances, but individual adjustments *may not* be made a standard cost category.

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* The Payment Document is primarily used to transmit payment information for the Pell Grant Program. The first two parts of the SAR can be used to make awards in *any* of the OSFA programs, and are discussed in Chapter Two, "General Program Requirements," in Section Three.

Reporting Periods

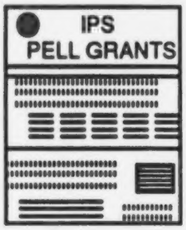
Each award year is divided into reporting periods. All funded institutions must submit at least one IPS within each of these reporting periods (even if there are no payment documents to be transmitted for that period).

Schools with Authorization of $750,000 or more*	**Schools with Authorization of less than $750,000***
July 1 → October 15	July 1 → December 15
October 16 → December 15	
December 16 → February 15	December 16 → April 15
February 16 → April 15	
April 16 → June 15	April 16 → August 15
June 16 → August 15	

***Based on Pell Grant Authorization for previous award year**

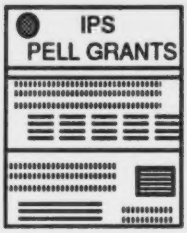
You may submit the IPS more frequently than once every reporting period, if there are a sufficient number of documents to warrant a separate submission. You may also need to submit an IPS with documents after the end of the award year to report summer school payments, students who complete verification, or outstanding payment data changes. You may not submit more than 60 batches during an award year. Keep in mind that all documents for an award year must be received by December 31 following the end of the award year (e.g., December 31, 1989 for the 1988-89 award year).

HOW TO FILL OUT THE IPS



If you have already submitted a pre-award IPS, the IPS you will submit with the Payment Documents is very easy to fill out. You do not need to enter information in Section I unless the pre-printed information is incomplete or incorrect. Changes are made by drawing a line through the incorrect figure and printing the correction above.

In Section II, *Items 11 and 12* are based on the "Date of Enrollment" and "Months in Which Remaining Payments Will Be Made" for the majority of students in that batch of Payment Documents. Putting this information on the IPS means that you will only have to fill out Items 8 and 9 on the Payment Documents for those students who have different dates of



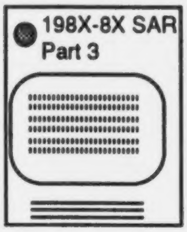
enrollment or who will be paid in other months. Only mark the months for *remaining* payments; *do not* mark the months for payments that you have already made.

Item #13 is the total number of Payment Documents and Processed Payment Documents submitted in that batch. *Item #14* is the total amount paid to date on those Payment Documents and Processed Payment Documents. (The total amount paid to date is added from Item 6 on all the documents in that batch.) If you are not submitting Payment Documents with this IPS, you must enter "O" for both Items 13 and 14.

Item #15 is the total dollar amount that you have actually disbursed to all Pell Grant recipients. It includes all payments (by check or credit to account) made during the current award year up to and including this reporting period, minus any refunds repaid to your Pell Grant account as of the date given in Item 16. Do not report estimated data for this item.

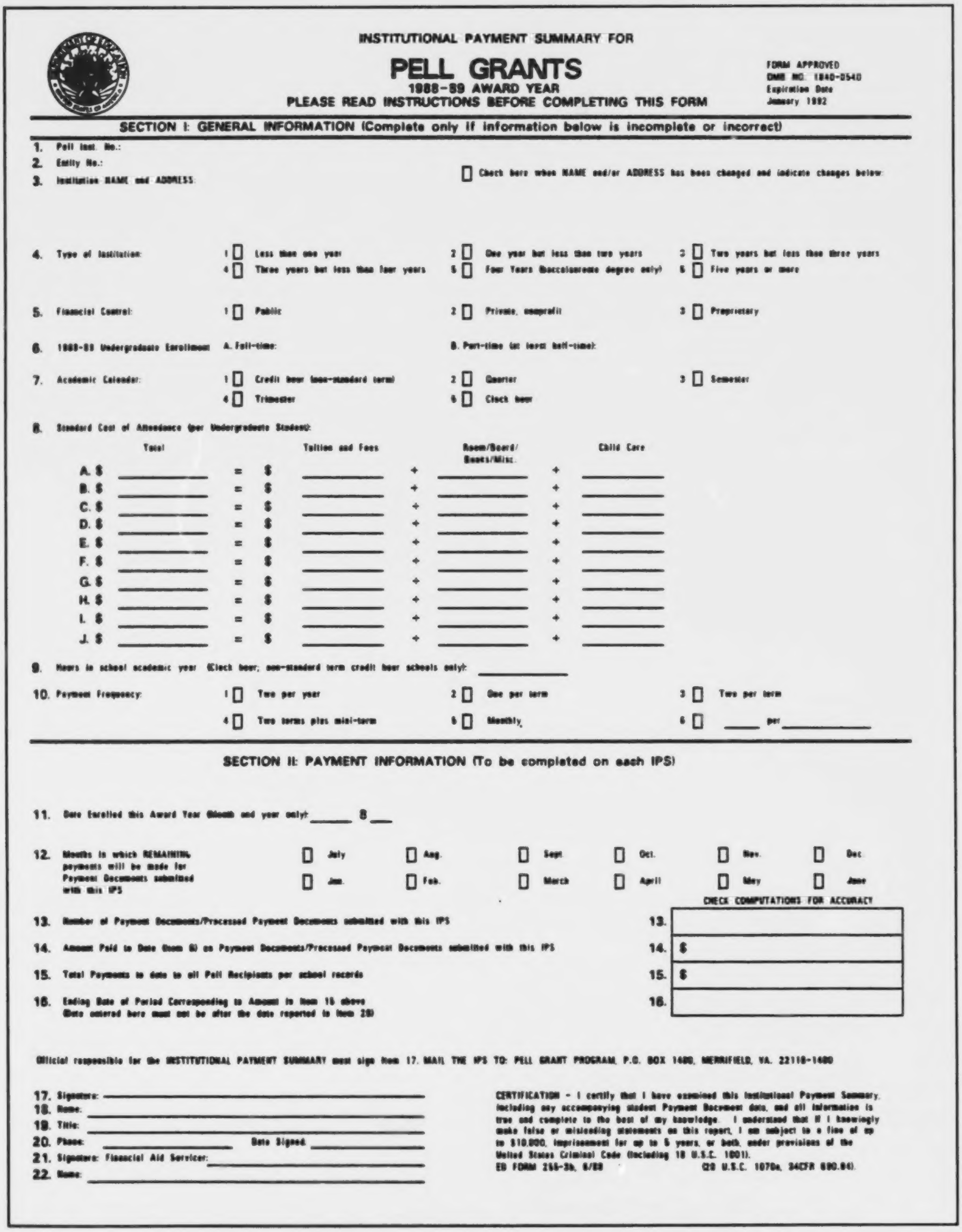
The date given in *Item #16* must not be later than the date the IPS was signed. The signature (*Item #17*) must be the original, handwritten signature of the institutional aid administrator officially responsible for the accuracy and completeness of the IPS. The certification statement applies to all items on the IPS. A signature stamp is not acceptable. Print or type the name, title, and phone number (with area code) of the person signing the IPS in Items *#18-20*, and the date signed in Item #20. Items 21-22 are for the signature of the school official who is responsible for completing the IPS (this cannot be the financial aid administrator). Submit one copy of the IPS to the Pell Grant Program, each with an original signature.

HOW TO FILL OUT THE PAYMENT DOCUMENT



The Payment Document is designed to be read by an optical scanning device, so you must fill in the ovals below each item with a No. 2 lead pencil. Fortunately, many of these items will not need to be filled in on the Payment Document if the correct information has been preprinted for that item on the IPS, or if you fill in this information on the IPS that you send with that batch. Please be careful to use a copy of your most recent IPS for each batch that you submit, to ensure that the preprinted information on the IPS agrees with our current data for your school.

If the preprinted information (or the information that you filled in on the IPS for this batch) does not apply to a particular student, then you must complete the Payment Document item for that student. You will also have to fill in an item on the Payment Document when there is no preprinted information on the IPS for that item, and you have not filled in information for that item on the IPS.



INSTITUTIONAL PAYMENT SUMMARY FOR

PELL GRANTS

1988-89 AWARD YEAR

PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

FORM APPROVED
OMB NO. 1840-0540
Expiration Date
January 1992

SECTION I: GENERAL INFORMATION (Complete only if information below is incomplete or incorrect)

1. Pell Inst. No.:
2. Entity No.:
3. Institution NAME and ADDRESS:

☐ Check here when NAME and/or ADDRESS has been changed and indicate changes below:

4. Type of Institution: 1 ☐ Less than one year 2 ☐ One year but less than two years 3 ☐ Two years but less than three years
4 ☐ Three years but less than four years 5 ☐ Four Years (Baccalaureate degree only) 6 ☐ Five years or more

5. Financial Control: 1 ☐ Public 2 ☐ Private, nonprofit 3 ☐ Proprietary

6. 1988-89 Undergraduate Enrollment A. Full-time: B. Part-time (at least half-time):

7. Academic Calendar: 1 ☐ Credit hour (non-standard term) 2 ☐ Quarter 3 ☐ Semester
4 ☐ Trimester 5 ☐ Clock hour

8. Standard Cost of Attendance (per Undergraduate Student):

	Total			Tuition and Fees		Room/Board/ Books/Misc.		Child Care
A. $	________	=	$	________	+	________	+	________
B. $	________	=	$	________	+	________	+	________
C. $	________	=	$	________	+	________	+	________
D. $	________	=	$	________	+	________	+	________
E. $	________	=	$	________	+	________	+	________
F. $	________	=	$	________	+	________	+	________
G. $	________	=	$	________	+	________	+	________
H. $	________	=	$	________	+	________	+	________
I. $	________	=	$	________	+	________	+	________
J. $	________	=	$	________	+	________	+	________

9. Hours in school academic year (Clock hour; non-standard term credit hour schools only): ________

10. Payment Frequency: 1 ☐ Two per year 2 ☐ One per term 3 ☐ Two per term
4 ☐ Two terms plus mini-term 5 ☐ Monthly 6 ☐ ____ per ________

SECTION II: PAYMENT INFORMATION (To be completed on each IPS)

11. Date Enrolled this Award Year (Month and year only): ____ 8 __

12. Months in which REMAINING payments will be made for Payment Documents submitted with this IPS
☐ July ☐ Aug. ☐ Sept. ☐ Oct. ☐ Nov. ☐ Dec.
☐ Jan. ☐ Feb. ☐ March ☐ April ☐ May ☐ June

		CHECK COMPUTATIONS FOR ACCURACY
13. Number of Payment Documents/Processed Payment Documents submitted with this IPS	13.	
14. Amount Paid to Date (Item 6) on Payment Documents/Processed Payment Documents submitted with this IPS	14.	$
15. Total Payments to date to all Pell Recipients per school records	15.	$
16. Ending Date of Period Corresponding to Amount in Item 15 above (Date entered here must not be after the date reported in Item 20)	16.	

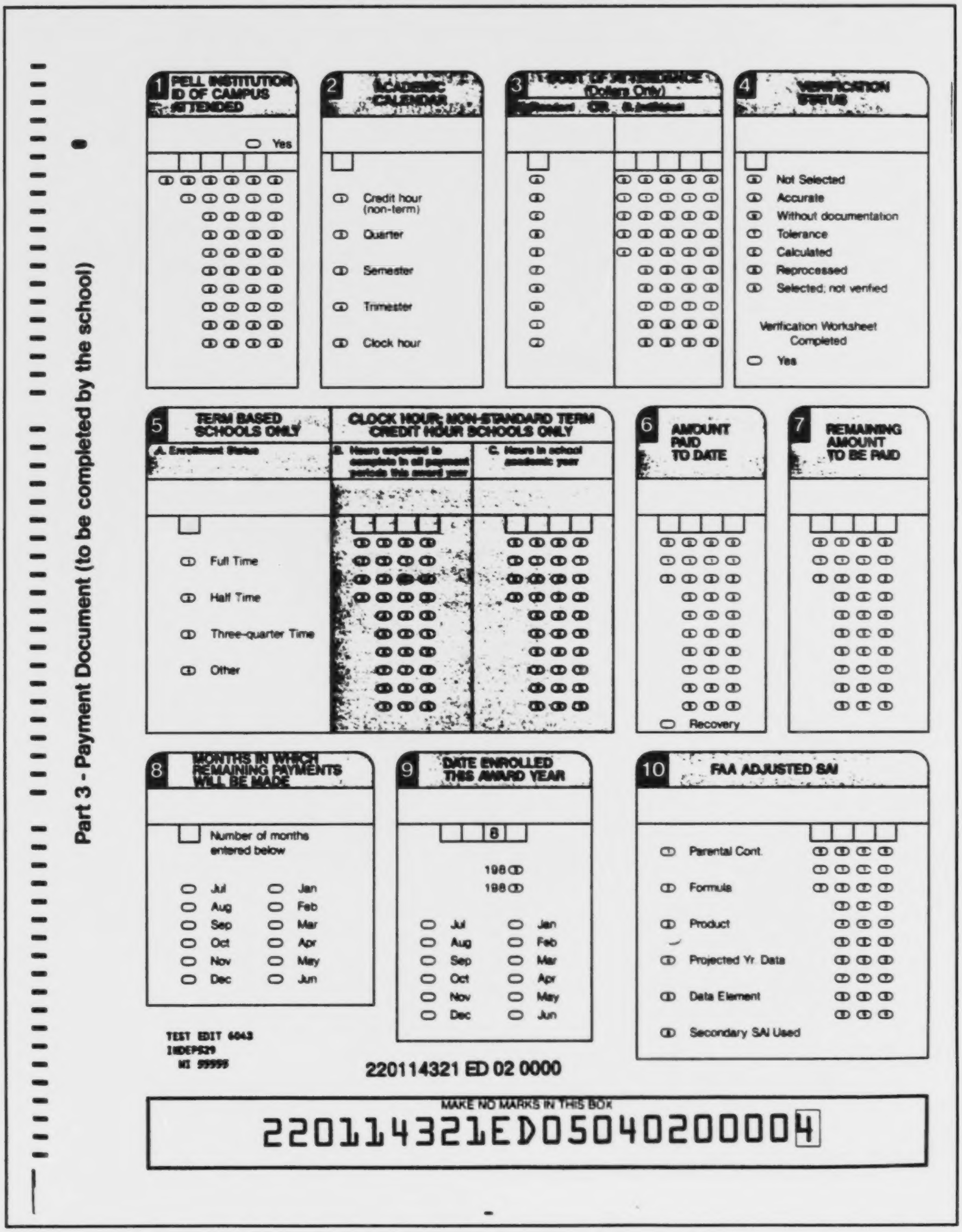
Official responsible for the INSTITUTIONAL PAYMENT SUMMARY must sign Item 17. MAIL THE IPS TO: PELL GRANT PROGRAM, P.O. BOX 1400, MERRIFIELD, VA. 22116-1400

17. Signature: ________
18. Name: ________
19. Title: ________
20. Phone: ________ Date Signed ________
21. Signature: Financial Aid Servicer: ________
22. Name: ________

CERTIFICATION - I certify that I have examined this Institutional Payment Summary, including any accompanying student Payment Document data, and all information is true and complete to the best of my knowledge. I understand that if I knowingly make false or misleading statements on this report, I am subject to a fine of up to $10,000, imprisonment for up to 5 years, or both, under provisions of the United States Criminal Code (including 18 U.S.C. 1001).

ED FORM 255-3b, 6/88 (20 U.S.C. 1070a, 34CFR 690.94).

THE INSTITUTIONAL PAYMENT SUMMARY



Part 3 - Payment Document (to be completed by the school)

1 PELL INSTITUTION ID OF CAMPUS ATTENDED

○ Yes

2 ACADEMIC CALENDAR

○ Credit hour (non-term)
○ Quarter
○ Semester
○ Trimester
○ Clock hour

3 COST OF ATTENDANCE (Dollars Only)

A. Standard OR B. Individual

4 VERIFICATION STATUS

○ Not Selected
○ Accurate
○ Without documentation
○ Tolerance
○ Calculated
○ Reprocessed
○ Selected, not verified

Verification Worksheet Completed

○ Yes

5 TERM BASED SCHOOLS ONLY

A. Enrollment Status

○ Full Time
○ Half Time
○ Three-quarter Time
○ Other

CLOCK HOUR; NON-STANDARD TERM CREDIT HOUR SCHOOLS ONLY

B. Hours expected to complete in all payment periods this award year

C. Hours in school academic year

6 AMOUNT PAID TO DATE

○ Recovery

7 REMAINING AMOUNT TO BE PAID

8 MONTHS IN WHICH REMAINING PAYMENTS WILL BE MADE

☐ Number of months entered below

○ Jul	○ Jan
○ Aug	○ Feb
○ Sep	○ Mar
○ Oct	○ Apr
○ Nov	○ May
○ Dec	○ Jun

9 DATE ENROLLED THIS AWARD YEAR

8

198 ○
198 ○

○ Jul	○ Jan
○ Aug	○ Feb
○ Sep	○ Mar
○ Oct	○ Apr
○ Nov	○ May
○ Dec	○ Jun

10 FAA ADJUSTED SAI

○ Parental Cont.
○ Formula
○ Product
○ Projected Yr. Data
○ Data Element
○ Secondary SAI Used

TEST EDIT 6043
INDEPS29
MI 99999

220114321 ED 02 0000

MAKE NO MARKS IN THIS BOX

2201143 21ED050402 00004

PAYMENT DOCUMENT
(PART 3 OF THE STUDENT AID REPORT)

198X-8X SAR
Part 3

Item #1 - Pell Institution ID of campus attended

In most cases, this item will have a preprinted institution ID for the school that the student listed as a first choice on his or her financial aid application. Ignore this item if you are a single-campus school. The Disbursement System will use the ID number for your school from the IPS.

If this ID number is not your school's number, and you are a school with branches that have unique Pell ID numbers, you will have to fill in the correct institution ID in the ovals below. If your school has branch campuses, you will either fill in the "Yes" box to confirm that the preprinted ID is the campus the student is attending, or fill in the institutional ID for the campus the student is attending.

Item #2 - Academic Calendar

If the academic calendar for the student is the same as the preprinted information or that shown on the IPS (Item #7), you do not have to fill in Item #2. However, if this student is enrolled in a program that has a different academic calendar than the one shown on the IPS (or pre-award IPS), you will have to fill in the applicable oval for that student.

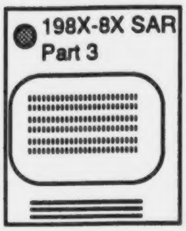
The academic year categories are defined as follows: *Credit hours.* Your school does not use standard academic terms, but does measure progress by credit hours or units. *Quarter.* Your school uses quarters and measures academic progress by credit hours. *Semester.* Your school uses semesters and measures academic progress by credit hours. *Trimester.* Your school uses trimesters and measures academic progress by credit hours. *Clock hour.* Your school measures academic progress by clock hours.

If your school has programs with different academic calendars, you may wish to group Payment Documents by programs with the same academic calendar, and submit them as separate batches. Thus, if your school had some programs using clock hours and other programs using quarter terms, you could submit Payment Documents for the students in the quarter program separately. This will enable you to use the IPS (Item #7) to identify the academic year for all students in the batch.

The first time you report an alternate Academic Calendar on your IPS, we will flag the batch and you may receive a call to find out if you are making a permanent change to your Academic Calendar, or if you will be using more than one Academic Calendar throughout the year. To make a permanent change to your Academic Calendar, you must receive approval from the Division of Eligibility and Certification of the Office of Postsecondary Education, U.S. Department of Education.

Item #3 - Cost of attendance

Fill in the oval that corresponds to the appropriate standard cost that you established on the IPS or pre-award IPS. If the student's cost is not covered by one of your standard cost categories, enter the student's cost under "B. Individual" and fill in the ovals for that cost.



Item #4 - Verification status

You must complete this item by writing the correct letter in the box and then filling in the appropriate oval below. If you leave this item blank and the student was selected for verification by the application processing system, we assume the student was paid under "W" (Without Documentation). Your Pell Grant authorization will be reduced during the final review of your account for all students whose status is still "W" at the end of the award year. A new category has been added: "S - selected but not verified." Grid this oval when the student has been selected for verification but you do not verify that student's information because you have reached the 30% verification limit. Also note that a Payment Document based on a first transaction will be rejected if you fill in "R" (for Reprocessed). See the *Verification Guide* for further explanation of the status codes and the 30% verification limit.

Item #5A - Enrollment status (term-based schools only)

Write the appropriate enrollment code in the box (1=full-time, 2=half-time, 3=three-quarter-time, 4=other) and fill in the appropriate oval below the box. You only complete this item if the academic calendar is quarter, semester, or trimester.

If you expect the student's enrollment status to change in a later payment period in the same award year, use the enrollment status "other" for that student. "Other" indicates a "mixed enrollment status," for instance, when a student attends full-time one term and half-time the next.

Item #5B - Hours expected to complete

This item is used with Item 5C by credit hour programs without standard terms and by all clock hour programs. Fill in the hours that the student is expected to complete in all payment periods occuring in the current award year. If you are paying the student for payment periods in the current award year that are in progress or already completed, be sure to include them in this total. Keep in mind that the student cannot be paid for more than one academic year of work in one award year.

Item #5C - Hours in school academic year

The hours in the academic year must be at least the minimum hours specified in the Pell Grant regulations (900 clock hours, 24 semester hours, 36 quarter hours, etc.) You do not need to fill in this item if the student's academic year is the same as the pre-printed information for this item, or the student's academic year is the same length as you reported on the IPS for this batch (Item #9 of the IPS).

If your school has programs with different academic years, you may wish to group Payment Documents by programs with the same academic year, and submit them as separate batches. This will enable you to use the IPS (Item #9) to identify the academic year for all students in the batch.

198X-8X SAR
Part 3

If you submit Payment Documents with different academic years in the same batch, you will have to fill in the correct academic year length for those students whose academic year is different than that reported on the IPS.

Item #6 - Amount paid to date

You must complete this Item for all students. Fill in the actual amount that you have paid the student (either by check or credit to account) as of the date you complete the document. If you have not yet paid the student but need to submit the Payment Document, write in "0" for payment and fill in the appropriate ovals. (You may not submit Payment Documents more than one month prior to the month in which you will make a first payment to the student.)

Only fill in the oval for a "Recovery" when correcting a Processed Payment Document to show the net amount of an award after an adjustment has been made to recover an overpayment. (For instance, if you make a payment of $1050 to a student for one payment period, but the student later withdraws and repays $300, you would mark "Recovery" on the Processed Payment Document for the student and report $750 paid to date.)

Item #7 - Remaining amount to be paid

Fill in the amount that you expect to pay the student for the remainder of the award year. This amount should take into account the expected enrollment status of the student. For instance, if the student is receiving a $1,000 Pell Grant disbursement as a full-time student in the first of two payment periods, but is expected to drop to half-time in the second payment period, the "remaining amount to be paid" would be $500. If you have entered $0 for "amount paid to date" because you have not yet paid the student for the first payment period, then the "remaining amount to be paid" for the student in this example would be $1500 (for both payment periods).

You must report "0" in Item #7 if you expect no further payments to the student for the award year (do not leave the item blank). If the value for Item #7 is greater than "O" then you must specify the months in which the remaining amounts will be paid, either on the IPS or on the individual student's Payment Document (see Item #8).

Item #8 - Months in which remaining payments will be made

If the "months in which remaining payments will be made" for this student are different from the months you reported on the IPS (Item #12), or if you did not report months to be paid on the IPS, then you must fill in the information here. The Department will authorize funds for the projected payments *in advance* of the months you enter in this item.

If you have students who will be attending a crossover payment period at the end of the award year, and will be paid in June, July, or August from this award year's funds, fill in the appropriate months in which remaining payments will be made.

SPECIAL NOTE FOR SUMMER SCHOOL AND OTHER CROSSOVER PAYMENT PERIODS:

➪ If you choose to pay crossover payment periods for Summer 1988 out of 1988-89 award year funds, you should prepare the Payment Documents as described on the previous page (Items 7 and 8), and submit them in your first batch for this award year.

➪ If you choose to pay Summer 1989 payment periods out of 1988-89 award year funds, it generally will be to your advantage not to notify us of payments for next summer (by gridding items 7 and 8) until you are reasonably certain that the student will attend. We recommend that you do not notify us until at least January 1989. This will save you time and effort, as you will have to resubmit Processed Payment Documents for all students who were expected to attend the Summer payment period, but later decided not to attend.

Item #9 - Date enrolled this award year

Fill in the first date that the student was enrolled in the eligible program for this award year. (For this item, "enrolled" means the first day the student attended classes. Chapter 2 will discuss the regulatory definition of "enrolled" for student eligibility purposes, which is slightly different.) If the student enrolled in a crossover payment period before the first day of the award year (July 1), report the actual date enrolled for this item, even though that date occurs before the start of the award year. You do not have to fill in the ovals for this item if the date enrolled for this student is the same as the date enrolled that you entered in Item 11 of your IPS.

Item #10 - FAA Adjusted SAI

This item has been added for the 1988-89 award year. Grid one of the five reason codes on the left-hand side if you are adjusting the SAI. (See Section Two, Chapter Two of this *Handbook* for a discussion of adjustments and use of the codes.) Then grid the adjusted SAI on the right side of this item. If you grid both a reason code and an adjusted SAI, you must pay the student based on the adjusted SAI and not the originally calculated SAI.

The last oval on the left hand side of this item is for the Secondary SAI. Grid this oval if you wish to pay the student using the Secondary SAI as calculated by the processing system. Do not grid the SAI if you are using the Secondary SAI.

PROCESSED PAYMENT DOCUMENTS AND BATCH REPORTS

The payment documents for your students will be processed by the Pell Grant Program, and a printed copy for each student will be returned to you, along with a new IPS.

Package 1

Two separate packages will be sent to your school for each IPS that you submit *with* Payment Documents. Package 1 contains a new IPS to use for your next submission, and a copy of your IPS Batch Report. (If you sent in an IPS *without* Payment Documents because you had no new students and no changes to previous student data in that reporting period, you will only get back Package 1.)

Package 2

Package 2 contains a second copy of the IPS Batch Report, and your Processed Payment Documents, grouped by campus in the following categories:

> ***Rejected*** - The information on these documents is inconsistent. Correct these documents before re-submitting them.
>
> ***Accepted with Assumptions*** - The information on the document was incomplete, so the system made certain assumptions. Review the documents carefully and resubmit them if corrections are necessary.
>
> ***Duplicates*** - These are duplicates of Payment Documents you have already submitted to us, and thus are not counted in the "total amount paid to date" or the "remaining amount to be paid" in the Batch Report. Keep these documents in your files. You do not need to resubmit them unless the award year data changes.
>
> ***Accepted*** - Keep these documents in your files. You do not need to resubmit them unless the award year data changes.

The Processed Payment Documents are in attended campus order first, and then in alphabetical order within the major categories listed above.

Batch Report

The first three items on the IPS Batch Report provide a check on the information that you reported on the IPS. Items 1 and 2 tell you how many documents the data processor received, and how they were processed (e.g., accepted, rejected, etc.). Item 3 is the total amount paid to date for all the students in that batch (taken from Item 6 on the Payment Documents). Note that our count in Items 1 and 3 should agree with the amounts you reported to us in Items 13 and 14 of the IPS.

The last three items show how your payment data was adjusted for any Payment Documents that were rejected, accepted with assumptions, etc. The adjustments we made (Item 5) are subtracted from the total payments for the students in that batch as shown on the Payment Documents (Item 4). The result (Item 6) is the change that we will make to your authorization.

REPORTING CHANGES ON THE PROCESSED PAYMENT DOCUMENTS

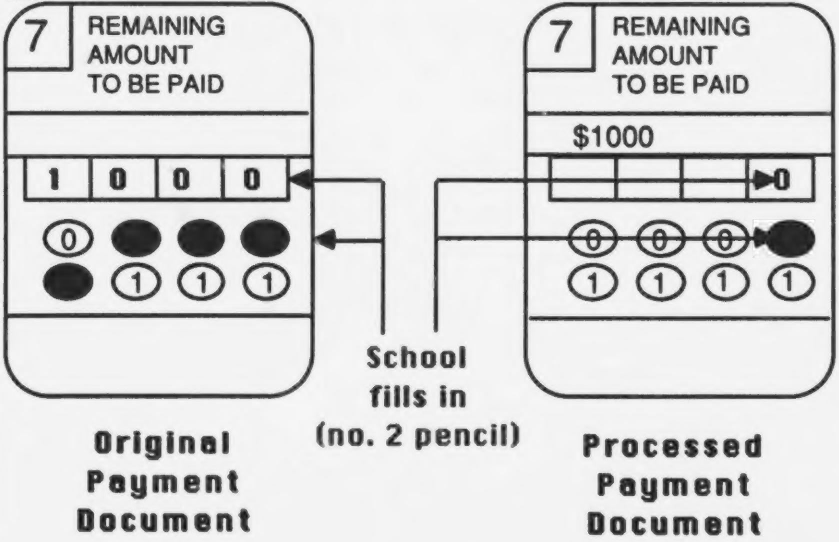
If the Processed Payment Documents you have received are accurate and there are no changes to the students' awards, simply retain the Processed Payment Documents in your files. However, if the information for the student is wrong or changes during the award year, you may have to correct the Processed Payment Document and resubmit it with your next IPS.

Making corrections on Part 3 of the SAR

Corrections to the Processed Payment Document are made by filling in the correct information in the blocks under the pre-printed information, and

EXAMPLE

A student enrolls in a program with two terms that make up one academic year. The student has a Scheduled Award of $2,000 dollars, and is enrolled full-time. The school uses Part 3 of the student's SAR to report a $1,000 payment (Item 6), with $1,000 remaining to be paid (Item 7). The student completes the first term but does not return for the second term, so the school amends Item 7 on the Processed Payment Document to show no further payment to the student.


7
REMAINING AMOUNT TO BE PAID
1 0 0 0
0
1 1 1
7
REMAINING AMOUNT TO BE PAID
$1000
0
0 0 0
1 1 1 1
School fills in (no. 2 pencil)
Original Payment Document
Processed Payment Document

using a No. 2 lead pencil to grid that information in the ovals below the blocks. (See illustration on facing page.) Note that we never use the information on the IPS to change the information on a Processed Payment Document. You have to make a correction to a Processed Payment Document on that document.

If a correction is required, the new information for the student must be submitted with the next IPS from the school, which must be sent no later than the end of the next reporting period. The most frequently-required changes are to cost of attendance (for costs under $3500), verification status (for a "W" — payment without documentation), enrollment status (term schools), and the payment amounts and dates. Other changes are less frequent, except in cases of error. For instance, one would not expect the institution's academic calendar to change during the award year. Some corrections do not substantially affect the student's award, and need not be reported to the Department.

Optional corrections

Name/Social Security Number - You are not required to report changes to the student's Name or Social Security Number, but you are encouraged to do so.

Academic Calendar (Item #2) - You do not have to report this change if the calendar change is from one type of standard academic term to another (e.g., from a quarter system to a semester system). However, changes from a credit hour to clock hour calendar or vice versa must be reported.

Cost of Attendance (Item #3) - You do not have to report a change to the cost of attendance if the change does not increase the amount the student will be paid for the year (Amount paid to date + Remaining amount to be paid).

Verification Status (Item #4) - If the verification status accepted by the Pell Grant Program for the student was N, A, T, C, S, or R you do not have to report a change to that status. You must report a change for the verification status "W" when you receive full documentation from the student and complete verification.

Enrollment Status (Item #5A for Term-Based Schools Only) - You do not have to report a change to enrollment status if the change does not increase the amount the student will be paid for the year (Amount paid to date + Remaining amount to be paid).

Hours expected to complete (Item #5B) - You do not have to report a change to this item if the change does not increase the amount the student will be paid for the year (Amount paid to date + Remaining amount to be paid).

Months in which remaining payments will be made (Item #8) - You do not have to report changes to this item. However, if such changes apply to a significant number of your students, we encourage you to report these changes so that your funding can be adjusted accordingly.

STUDENT PAYMENT SUMMARY

The Student Payment Summary (SPS) is a list of the student data that ED has in its records for each recipient you submitted for the award year. An SPS is routinely sent to each school at least twice during the award year as well as at the end of the award year. You may also request an SPS from the Pell Grant Program during the award year. If changes are made to the student records based on your review of the SPS and the student Payment Documents, a final SPS will be generated showing those changes. If you find that you need to make changes to student data, submit a corrected copy of the student's Processed Payment Document to us. Do not use the SPS itself to make the changes. Remember that no Payment Documents/Processed Payment Documents for an award year will be accepted after December 31st following the end of the award year (e.g., December 31, 1989 is the last day we will accept payment documents for the 1988-89 award year).

Multiple student records on the SPS

If you resubmitted a student's document during the award year, you may see that student listed more than once on the SPS. More than one student record will be listed if you submit a revised Payment Document with a different transaction number, a different Attended Campus for the student, or with certain types of changes to the academic year. When we create a new record in our files for a previously reported student, we set the originally reported payment amounts to zero (except for attended campus changes). For other types of changes to the student records (such as changes to enrollment status or cost of attendance), we do not create a new record, but rather replace the data in the existing record.

Active Records

"Active" records are identified by an arrow (<) in the ACT (Active) column on the far right side of the SPS. There can only be one active record for each campus a student attends. No amount will be shown for the payment information (Items 6-8) if a record is inactive. You should pay particular attention to the Verification Status, and to the Total Payment Amount. If the VerificationStatus is "W" (Without Documentation), you must resubmit the student's Processed Payment Document when the verification process is complete, with the appropriate verification code filled in. The Total Payment Amount is the sum of Items 6 and 7 on the document, and represents the net payment to the student for the award year. If this amount is incorrect, you must provide corrected information to us.

Summary data page

The last page of the SPS is titled "Summary Data," and gives cumulative payment totals from your IPS, and for the documents that we accepted from your school. Again, the key item for consistency is "Total Payment Amount." If you have reported all your payments and changes to those payments for the award year, this total should equal Item 15 of your IPS (as printed at the top of the Summary Data sheet). If the totals are different, you must review your records, and submit documents with another IPS to correct the error.

Differences in number of student records

Note that there will usually be differences in the total number of unduplicated recipients, active student records, and the total records listed on the report. This does not necessarily indicate a discrepancy. You may have more Active Student Records than Recipients if your institution has more than one campus, and some of your students have been paid at more than one campus. The Total Records on this Report may be less than the total number of Payment Documents/Processed Payment Documents that you sent us, because we only create a new student record for certain types of changes.

Reconciling expenditures

If your net expenditures to your Pell Grant recipients agrees with the Total Payment Amount on the SPS, then you do not need to make any corrections to the student Payment Documents. While you are not required to retain a copy of the SPS for the award year, we recommend that you do so. The SPS will help you in responding to questions about Payment Document data for audit and program review purposes. Furthermore, if you should lose a Processed Payment Document, your SPS can be used to document the payment to the student.

REQUESTING FUNDS

The reporting system described in this section enables the Department to track your need for Pell Grant funds during the award year, and adjust your Pell Grant authorization accordingly. When you request funds from the Department (for the Pell Grant *or* the campus-based programs), that request is handled by a different system, the ED Payment Management System (ED/PMS).

Automated Clearing House (ACH)

The Department's Division of Financial Management Services is currently converting to a new payment system, known as the Automated Clearing House (ACH). The ACH should greatly speed up the process of requesting and drawing down funds. Most of the the postsecondary schools that participate in the OSFA programs are now using the ACH. (Schools that are being converted to ACH are sent explanatory materials along with a direct deposit sign-up form.) Because the request for funds is usually handled by each school's fiscal officer, we will not review the fund drawdown procedures in this chapter. If you are responsible for your school's fiscal office activities, you should refer to the materials prepared by the Financial Management Service. In addition, OSFA is currently revising its *Blue Book* for fiscal officers, which will include a detailed discussion of the new procedures. Copies of the *Blue Book* will be made available to participating institutions upon its completion.

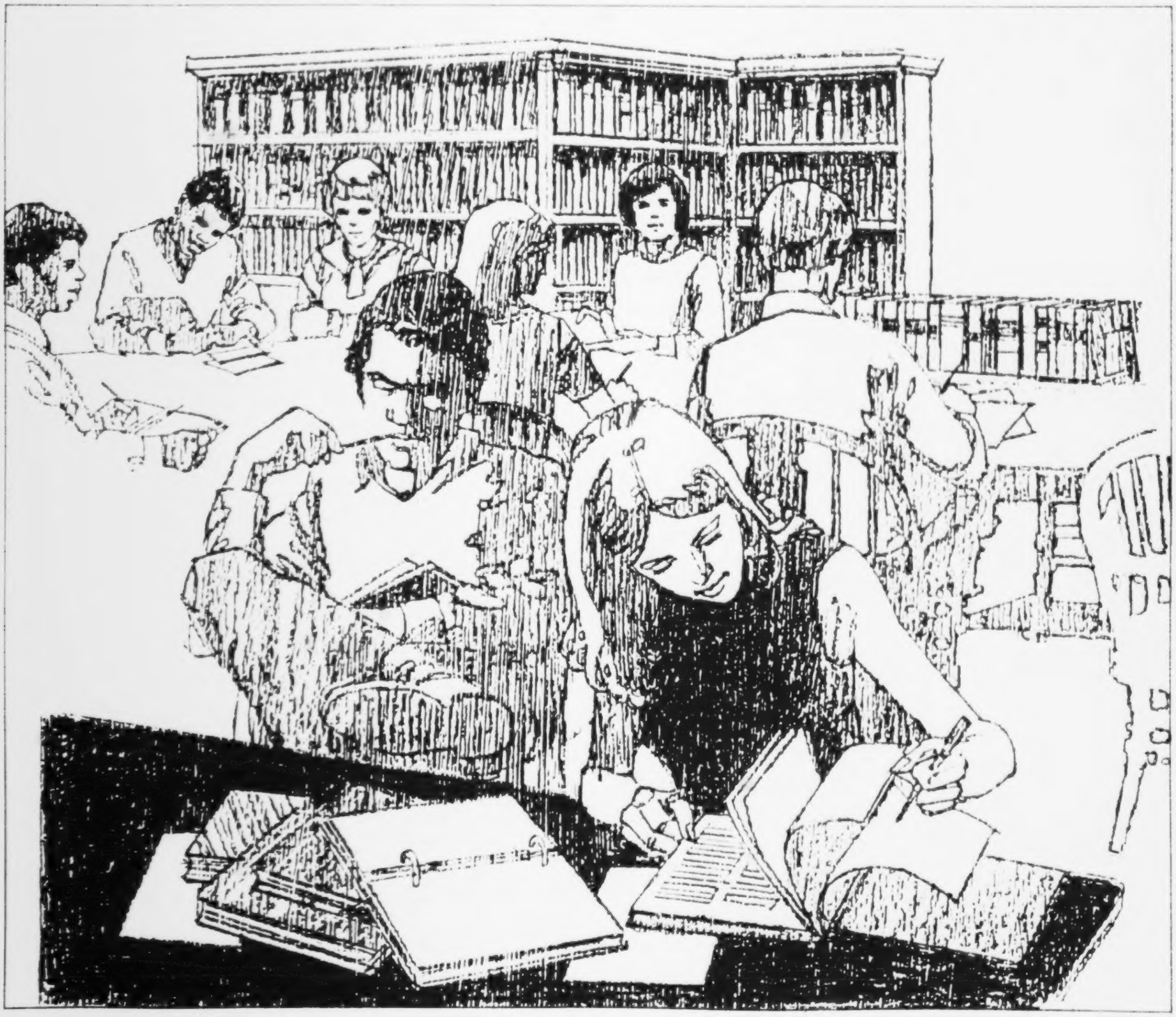
United States
Department of
Education

Office of
Student Financial
Assistance

1988-89

The Federal Student Financial Aid Handbook

Chapter Five
Campus-Based Programs—Common Elements



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INTRODUCTION

The campus-based chapters incorporate changes brought about by the December 1, 1987 regulations, which—with the exception of sections .19—became effective February 3, 1988. Sections .19 had not become effective at the time this *Handbook* went to print.

This Chapter covers provisions common to all campus-based programs (Perkins Loans [formerly the National Direct Student Loan Program], College Work-Study [CWS], and Supplemental Educational Opportunity Grants [SEOG]). Chapters Six through Eight discuss these programs individually. The Perkins Loan Program provides low-interest, long-term loans to help undergraduate and graduate students. The CWS Program gives undergraduate and graduate students the chance to work part-time. The SEOG Program provides grants to undergraduates who demonstrate exceptional financial need.

SECTION ONE:
INSTITUTIONAL RESPONSIBILITIES

The campus-based programs are so named because each school is responsible for administering them on its own campus. The financial aid administrator ensures that eligible students receive program funds in accordance with the provisions of the law, the regulations, the Program Participation Agreement signed by the Secretary of Education and the school's chief administrative officer, and other criteria the Department of Education may establish.

Additional institutional responsibilities include—

- submitting applications for Federal funds and fiscal operations reports to the Department of Education.

- giving students accurate information about Title IV aid programs, comprehensive educational costs (direct and indirect), application procedures, eligibility requirements, and satisfactory academic progress standards.
- evaluating student applications and determining need.
- packaging aid to meet each student's need, to the extent possible.
- verifying the information of students selected under the verification process (see the 1988-89 *Verification Guide* for more information).
- notifying all applicants of the action taken on their applications.
- notifying recipients of the amount they can expect to receive and how and when they will be paid.
- counseling students on financial aid matters.
- disbursing funds.
- revising aid packages to respond to unanticipated situations and documenting the reasons for the revision.
- maintaining adequate records.
- submitting required reports on time.

One very basic institutional responsibility is to hold campus-based funds in trust for students and not use those funds for any other purpose.

For the Perkins Loan Program, the concept of protecting funds continues to apply if a school closes or no longer wants to participate in the Program. In such cases, the school must take one or more specific steps to protect its outstanding loans. For information on these procedures, see Section 674.17 of the December 1, 1987 campus-based regulations.

PROGRAM PARTICIPATION AGREEMENT

A school that wants to participate in any Title IV student aid program must sign a Program Participation Agreement with the Secretary. (See Chapter Two for more information on this Agreement.) The Agreement must be signed by the school official legally authorized to assume, on the school's behalf, the Agreement's obligations.

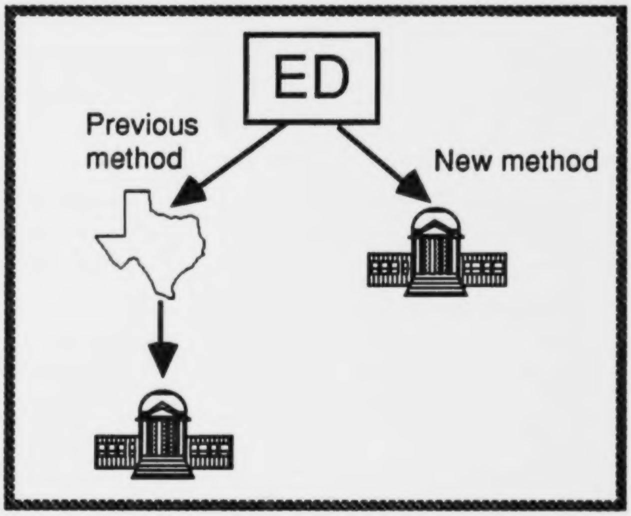
Sections .8— 12/1/87 regulations

Each campus-based program has specific requirements under this Agreement. See sections .8 of the December 1, 1987 campus-based regulations for more information.

SECTION TWO: FUNDS ALLOCATION

A school must submit an application (the FISAP) for each award year it wants to receive funds from one or more of the campus-based programs. Requirements for submitting applications, including submission dates, are published in the FEDERAL REGISTER. OSFA's Division of Program Operations and Systems mails applications to all participating schools. For more information on application procedures or training workshops on completing the FISAP, contact the U.S. Department of Education regional office serving your State.

The method of allocating campus-based funds to schools has radically changed beginning with the 1988-89 award year. Formerly, the Department of Education apportioned funds among States, but allocated funds directly to schools from each State's apportionment. Now, funds are allocated directly to schools according to a statutory formula that does not provide for appeals. Schools receive their disbursements in periodic installments, either in advance or as reimbursements.



Statutory citations

Because the statutory language describes the allocation process in detail, those procedures are not repeated in the December 1, 1987 regulations. Rather, schools should consult the sections of the Higher Education Amendments specific to each campus-based program. Those sections are—for the Perkins Loan Program—Section 462, for the CWS Program—Section 442, and for the SEOG Program—Section 413D.

☞ NOTE: For the **1988-89** award year, the second step in the reallocation process provides that 50 percent of the unspent CWS funds available for reallocation will be set aside for supplemental awards in the Cooperative Education Program. The funds will be used for initiating, improving, or expanding the school's Cooperative Education Program in accordance with Title VIII of the Higher Education Act. **This provision will no longer be in effect as of the summer of 1989.**

SECTION THREE: STUDENT ELIGIBILITY

See Chapter Two

Students receiving campus-based aid must meet the eligibility requirements listed in Chapter Two, Section One. A school must make campus-based funds reasonably available—to the extent of available funds—to all eligible students who demonstrate financial need.

Written selection procedures

In choosing its aid recipients, a school must develop written selection procedures that are uniformly applied, and that are kept on file in the student financial aid office.

Awarding a "reasonable proportion" of aid to less-than-full-time students

Generally, if your school's campus-based allocation is based, at least in part, on the financial need of any less-than-full-time students, you ***must*** award a reasonable proportion of your allocation to those students—again, to the extent of available funds. This will be true in all situations except the following:

o Schools that now enroll less-than-full-time students but did not do so through June 30, 1987 will not have to comply.

o Schools whose 1988-89 allocation for an **individual** campus-based program is $5,000 or less will not have to comply for that program **only**.

o Schools that did not receive any Federal Capital Contribution for the Perkins Loan Program in 1988-89 need not comply for that program only.

The concept of "reasonably available" means that you must set aside a portion of funds for less-than-full-time students. How much is set aside is left to the school; the Department does not require a certain allotment. It is, of course, certainly permissible to set priorities in awarding aid, as long as you do not exclude those students. It is also not acceptable to make funds available for less-than-full-time students only on the home campus and not on any branch campuses.

Less-than-full-time students include correspondence students. To be considered enrolled in a program of correspondence study, the student must have completed and submitted the first lesson.

Special session

A student enrolled in a special session, such as summer school, may receive campus-based aid if he or she meets all general eligibility requirements (as noted earlier, these are listed in Chapter Two) ***and***, either has attended the school during the preceding term, or has been accepted for the subsequent term. ("Subsequent term" also means study in an eligible program of study abroad.)

For information on CWS employment during periods of non-enrollment, see Chapter Seven, page 7-13 .

SECTION FOUR:
NEED ANALYSIS

To determine a student's eligibility for Federal student aid, you must determine his or her financial need. If the student's cost of attendance exceeds his or her expected family contribution, the student has need. Allowable costs of attendance are those that are reasonable, comprehensive costs for an enrollment period. (See the discussion below.) An expected family contribution is the combined amounts the student and his or her family are expected to contribute for educational purposes during the enrollment period.

**Cost of
Attendance
—Expected
Family
Contribution
=Financial Need**

☞ NOTE: The cost of attendance and family contribution figures should be the same for the campus-based programs and for the Guaranteed Student Loan (GSL) Program, unless there is a documented reason why they should be different.

**1986 HEA—
Part F**

Beginning with the 1988-89 award year, schools must use the procedures for determining costs of attendance and Family Contributions (FC's) found in Part F of the Higher Education Amendments of 1986. Part F describes the need analysis system called the "Congressional Methodology," which replaces the Uniform Methodology as the Department's system for determining expected family contributions for the campus-based and GSL programs. We discuss below procedures for determining a student's cost of attendance. For information on determining a Family Contribution, please refer to OSFA's publication, *The Congressional Methodology, 1988-89.*

COST OF ATTENDANCE

In establishing cost of attendance figures, schools must develop allowances—reasonable amounts allotted to cover most students' circumstances. You may establish different categories of students within an allowance—for example, in-State and out-of-State students or graduate/professional students. Remember that you must uniformly apply the appropriate allowances according to any categories of students you establish.

Develop allowances

All allowable costs of attendance discussed below are based on the costs for a student attending at least half-time for a nine-month academic year. You may adjust these costs to take into account the period of the award, or you may adjust them if you believe they do not accurately reflect the student's actual costs. You must document the reasons for any adjustment and make them part of your records.

Based on 9-month academic year

Less-than-half-time

The cost of attendance for students **attending less-than-half-time** is based on the amount of tuition and fees and an institutionally-determined allowance for books, supplies, transportation and, if applicable, dependent care expenses. **No allowance is provided for room and board or miscellaneous personal expenses.**

Tuition and Fees

Tuition and fees are those normally assessed a student carrying the same academic workload as others in a particular course of study and include the cost of renting or buying any equipment, materials, or supplies required of ***all*** students in that course of study. The cost of attendance for a student receiving instruction through telecommunications technology may ***not*** include the cost of renting or buying telecommunications equipment. For example, you may not include the cost of renting or purchasing a television for a student taking a course transmitted by television.

For a **full-time student**, a school may base its tuition and fee charges on either the actual or average amount it charges a full-time student for a full academic year (nine months). If the school uses an average charge, it may—for the Perkins and CWS programs—determine separate average costs for undergraduate, graduate, and professional students participating in those programs.

If a school establishes its tuition and fee charges based on a residency requirement (for example, in-State and out-of-State), and it uses an average charge, it may determine a separate average charge for each residency-based classification. A school using average charges may use actual amounts for individual students whose charges vary greatly from the average.

For a **part-time student**, a school determines tuition and fees either by calculating the actual amount it charges that student for an academic year, or by reducing proportionately the amount it charges a full-time student for an academic year. If the school uses a full-time charge, it would normally use the amount it charges most often.

Room and Board

Students with No Dependents, Residing with Parents

This student receives a standard room and board allowance of ***not less than*** $1,500.

Students with No Dependents ,
Residing in Institutionally-Owned or Operated Housing

Room and board is a standard allowance based on the amount the school normally assesses most of its residents for room and board (either an actual or an average charge). You could establish cost categories based on high costs for apartment living vs. lower costs for dormitory residence, for example.

All Other Students

If the student neither lives with his or her parents nor lives in institutional housing, or if a student has dependents, you determine an allowance based on expenses the student reasonably incurs, as long as that allowance is ***not less than*** $2,500. You may wish to conduct a survey to determine reasonable living costs in your area—for example, to determine the prevailing local rent.

☞ NOTE: These allowances are only for periods of enrollment, since the Congressional Methodology takes into account, through maintenance allowances, nonenrollment periods and costs the student and his or family incur.

Miscellaneous Expenses

Books, supplies, personal expenses, and transportation

Reasonable allowances should be provided for books and supplies, miscellaneous personal expenses, and transportation. The school may have different books and supplies allowances to reflect the requirements of particular majors such as art, medicine, nursing, law, or engineering.

Personal expenses include items such as clothing and laundry, grooming aids, insurance, and recreation. The allowance should permit the student to maintain a reasonable standard of living.

Transportation may include the cost of travel between the student's residence and the school, and travel costs required for completing a course of study. When public transportation is not available for travel to and from school, you have the option of covering the cost of operating and maintaining a car (gas, oil, license, insurance, repair, for example). In such cases, you may set the transportation allowance according to the prevailing mileage costs used in the region where your school is located.

For students who live away from home, the travel allowance usually includes the cost of two or three round trips between the student's residence and the school by way of a common carrier, economy class.

Dependent Care

Number and age of dependents

An allowance is based on the expenses reasonably incurred, determined by the number and age of the dependents. The term "dependent" is broader than the term "child" in the Pell Grant Program, and could include elderly or disabled adults. It could also include the student's spouse.

The dependent care allowance does not have to reflect actual costs but may be a reasonable projection of costs the student can expect to incur. The costs may be determined per individual dependent. As examples of cost categories, you could establish an allowance for a student with one dependent, another for a student with two dependents. You could establish an allowance based on the student's enrollment status—how many hours a week the student must spend at school.

☞ NOTE: Just before this *Handbook* went to press, the Department modified its interpretation of what constitutes a permissible dependent care allowance. The January 1988 "Dear Colleague" letter (GEN-88-7, page 46) states that an allowance could be made only if the student could not attend school unless the dependent were provided care. The allowance was based on reasonable costs the **student** would incur while he or she was attending class and was not to include the general living costs of the dependent.

Can include food and shelter for dependents in some cases

The Department now supports a broader interpretation of dependent care to allow aid administrators to decide what costs should be included in the dependent care allowance. For example, aid administrators may decide to include the costs of food and shelter for dependents if a family's available income is less than the Congressional Methodology's Standard Maintenance Allowance. The authority to do so is based on statutory language and would not require exercising Section 479A authority.

Handicap-Related Expenses

An allowance is provided for those expenses related to a student's handicap that are not provided by any other assisting agency or program. The allowance may include special services, transportation, equipment, and supplies. There is no predetermined maximum allowance, but you must be able to justify and document the expenses. Examples of expenses include text books in Braille or a tape recorder for note-taking.

A handicapped student is defined as one who is mentally retarded, hard of hearing, deaf, speech- or language-impaired, or visually handicapped. Or, the student may be seriously emotionally disturbed, orthopedically impaired, or otherwise health-impaired. A student with specific learning disabilities who requires special education and related services would also be considered handicapped.

Correspondence Study

Allowable costs for students enrolled in a program of study by correspondence are tuition and fees, books and supplies and, if a period of residential training is required, an allowance for room and board and travel.

The cost of tuition, fees, books, and supplies is the contract price of the program. Costs are calculated on an individual basis and must reflect actual costs.

Study Abroad

The school must establish reasonable costs for students enrolled in an academic program that normally includes a formal program of study outside the United States. The allowance includes travel costs to and from the foreign place of study. You are permitted to determine costs and award aid only for foreign study that is part of the student's academic program.

GSL Origination Fee/Insurance Premium

You may include both the GSL origination fee and the insurance premium as a cost of attendance if a Guaranteed Student Loan is part of the student's financial aid package.

In such cases, the **full amount** of the GSL must be considered as financial aid when determining future amounts of assistance for the same award year—do not subtract the origination fee when you build in a GSL as part of the student's aid package. For example, if the student borrows a $1,000 GSL that includes a $15 origination fee, the amount of the GSL built into the student's aid package would be $1,000.

Developing Budgets

In the past, student budgets were based on a standard nine-month academic year, but twelve-month budgets could be developed for independent students and for students attending school year-round. In such cases, a student's living costs for the three months he or she did not attend school were routinely built into the student's budget.

Based on length of award period

Beginning with the 1988-89 award year, schools must develop standard budgets based on the length of the program or the length of the award period **only**. You cannot routinely develop budgets to accommodate living expenses for periods of non-enrollment. For example, if your school had a category of students enrolled in an eleven-month program, you could not develop a twelve-month budget to accommodate the one-month "lapse" in funding between one enrollment period and the next. Accommodations for living costs are built into the Congressional Methodology, which also accommodates some categories of students enrolled in programs longer or shorter than nine months.*

Sec. 479A

Of course, the financial aid administrator's adjustment authority would always permit changes to **individual** budgets based on a particular student's circumstances. Our discussion here attempts to make clear that a standard accommodation of living expenses for a ***category*** of students during periods of non-enrollment is not permissible.

FAMILY CONTRIBUTION

See "*The Congressional Methodology, 1988-89*"

As mentioned earlier, a student's Family Contribution (FC) is determined by the procedures set forth in Part F of the 1986 HEA, referred to as the "Congressional Methodology." For complete information on determining a Family Contribution, please refer to OSFA's publication, *The Congressional Methodology, 1988-89.*

For the 1988-89 award year, the Department of Education, through the use of test cases, is developing a list of certified Need Analysis Servicers (NAS's) using need analysis systems that will produce Family Contributions exactly as described in Part F of the HEA. Schools are not required to use one of these servicers, but doing so will ensure that FC's will be accurate and in accordance with the law. A list of certified Need Analysis Servicers is expected to be published in the *Federal Register* in May.

Although strict conformity with Part F of the HEA is required in initially calculating a Family Contribution, the aid administrator retains the traditional authority to adjust the Family Contribution in individual cases. You may adjust—up or down—if you believe an FC does not accurately reflect the ability of the student, spouse (if the student is married), and parents (if the student is dependent) to contribute toward the student's education. You must document all adjustments in writing and make them part of your records. Keep in mind that if you adjust a Family Contribution for the campus-based programs, you must also adjust it for the GSL Program—if the student has a GSL—unless you can document why the two FC's should be different.

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*For dependent students, the CM requires a recalculation of the expected family contribution, which adjusts the parental contribution from income. Independent students without dependents are provided a maximum maintenance allowance of $600 a month during periods of non-enrollment. The allowance is subtracted from the student's income. Although there is a standard maintenance allowance for independent students with dependents and no recalculation is required for different enrollment periods, the school may want to consider whether an adjustment similar to the dependent student formula would be appropriate. For more information, see OSFA's publication, The Congressional Methodology, 1988-89.

☞ NOTE: You may not automatically adjust Family Contributions for all applicants or for specific subgroups based on characteristics common to that subgroup—no matter how valid those adjustments might seem to be.

In adjusting a student's Family Contribution, you should consider the following items:

- the number of dependents
- the number of dependent children in postsecondary education
- tuition costs of dependent children who are attending elementary and secondary schools
- any serious illness in the family (family members include the student—and his or her parents, if the student is dependent—the student's spouse, and any other individuals claimed for Federal income tax purposes)
- other circumstances that may affect the ability of the student, spouse, and/or the student's parents to contribute to the cost of education
- the assets for the student and his or her family

You also have the option of changing a student's status from dependent to independent (thus eliminating any parental contribution) if you can document unusual circumstances. For more information on this procedure, known as a dependency status override, see Chapter Two, Section Three, "Using the Federal Processing System."

☞ NOTE: To determine a Native American's Family Contribution, you may not consider the following as income or assets of the student or the student's family:

- awards made under Pub. L. 98-64, the Distribution of Judgment Funds Act (25 U.S.C.1401 et seq.); the Alaska Native Claims Settlement Act (Authority: 43 U.S.C. 1601 et seq.); and the Maine Indians Claims Settlement Act (25 U.S.C. 1721 et seq.). However, if individual awards under the first two acts exceed $2,000, the portions of those awards over $2,000 will be considered income or assets
- property that may not be sold or encumbered without the consent of the Secretary of the Interior
- any other property the U.S. Government holds in trust for the student or his or her family

At the time the *Handbook* went to press, the treatment of excess earnings was correct as described in this section. However, the Division of Policy and Program Development expects to publish an NPRM during the 1988-89 award year to change the treatment of excess earnings. Decisions on this issue have not yet been made, but the *Handbook* will be updated as necessary. Note that no changes are expected if an excess is in the form of a grant or loan.

You may not award campus-based aid if that aid, when combined with all other resources, would exceed the student's need. You must take into account those resources you can reasonably anticipate at the time you award aid, those your school makes available to its students, or those you know about. (For examples of resources, see sections .14(b) of the December 1, 1987 campus-based regulations.) The Department encourages aid administrators to establish procedures to monitor the amount of assistance awarded campus-based recipients.

If the student receives additional resources ***before*** you disburse any campus-based aid, and those resources plus aid exceed need, the overaward is the amount that exceeds need. You must reduce the excess by taking the steps described below. "Additional resources" are any non-Title IV funds not awarded by your school.

If a student receives additional outside funds ***after*** you have disbursed aid, and those funds plus the original aid package exceed need by **less than $200**, the student is not considered to be overawarded.

If need is exceeded by **$200 or more**, the overaward is the amount that exceeds $199. You must take steps to reduce that excess. First, recheck the cost of attendance and the student's Family Contribution (FC). Have there been any changes that would warrant increased aid? Does the student have any additional educational expenses to which the excess funds could be applied? If not, determine if any of the excess aid is permitted to be substituted for the FC. (You may substitute PLUS loans, Supplemental Loans for Students, non-need based Income Contingent Loans [ICL's],* and State-sponsored or private loans. However, if the amount of any loan(s) exceeds the FC, the excess is a resource.)

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*Income Contingent Loans are currently operating as a pilot program in 10 schools. These loans will be expanded beginning with the 1989-90 award year and will be discussed in the *Handbook* at that time.

The next steps in reducing an overaward depend on whether the excess is a grant or loan or whether excess earnings are involved.

If the excess is in the form of a grant or loan, you should attempt to adjust the aid package by **first**, reducing or cancelling any undisbursed loans or grants (except for Pell Grants); **second**, stopping CWS employment; and **third**, attempting to recover funds from the student, who is liable for any overpayment of a loan or grant (excluding Pell Grants). If you must attempt to collect from the student, the Department requires you to make a "reasonable effort" to recover the amount. This consists of a written demand to the student for repayment of the overaward, including a notice that failure to repay will mean the student will be ineligible for further Title IV aid.

☞ NOTE: Your school is ***also liable*** if the overpayment of a grant or loan occurred because the school failed to consider appropriate resources or take other steps required to prevent an overaward. In such cases, if you cannot collect the overpayment from the student, your school must repay the excess amount plus any administrative cost allowance claimed on that amount. This is true whether or not the student will be enrolled for the next academic year.

If the overaward is the result of excess earnings—CWS or otherwise—you would take the same three steps mentioned in the case of an excess in the form of a grant or loan. If there is still an overaward ***and*** if the student is enrolled for the next academic year, you must apply the excess toward next year's costs. If the student will not be enrolled the next year, you have no further obligation.

☞ NOTE: A student can continue to work even in an overaward situation, as long as he or she is not paid from **CWS** funds. However, any excess money earned must be counted as a resource for the next academic year. (Again, if the student will not be enrolled next year, you have no further obligation.)

COORDINATION WITH BUREAU OF INDIAN AFFAIRS GRANTS

To determine the amount of campus-based aid for a student who is or may be eligible for a Bureau of Indian Affairs (BIA) grant, you must first develop a financial aid package without considering any BIA funds. If the total aid package—after BIA funds are added—does not exceed the student's need, you may not adjust any campus-based aid. If the total package plus the BIA grant does exceed need, you must eliminate the excess by first reducing any Perkins Loans awarded, then any CWS funds, and then any SEOG funds. (You may ***not*** reduce any Pell Grant funds, nor may you reduce the BIA grant.)

☞ NOTE: You may alter this sequence of reductions if the student requests it, and if you believe the change would benefit the student.

In determining the amount of financial need for a student eligible for a BIA grant, you are encouraged to consult with area officials in charge of BIA postsecondary financial aid.

SECTION FIVE:
FISCAL OPERATIONS REPORT (FISAP) AND RECORDS REQUIREMENTS

For information on general records and reporting requirements, see Chapter Two, Section Five, "Administrative and Fiscal Standards," and the current edition of the "Blue Book."

CAMPUS-BASED PROGRAM RECORDS

A school must keep financial records that reflect all campus-based program transactions and must keep all records supporting its application for campus-based funds (including records for students who applied for, but did not receive, any financial aid). The school must keep general ledger control accounts and related accounts that identify each program transaction and separate those transactions from other institutional financial activity.

Generally, you must keep records for any award year for five years after you submit the Application and Fiscal Operations Report (FISAP) for that year. There are two exceptions: one for loan records (see "Perkins Loans," page 5-15) and one for records of expenditures questioned in audits or program reviews. The latter must be kept until the questions are resolved. A school may substitute microfilm copies for original records, or it may keep its records in computer format. If a school chooses the computer format, it must keep the source documents supporting the computer input either in hard copy or in microforms.

Campus-based program records must—

- identify each student's account and its status—amounts awarded, disbursed, etc.
- be reconciled at least monthly. (This applies to fiscal information only.)
- show the eligibility of each student who received campus-based funds.
- show the amount of each student's need and how it was met.

☞ NOTE: With the publication of the December 1, 1987 campus-based regulations, a school is **no longer required** to obtain a written acceptance from the student of the Federal financial aid offered.

Perkins Loans

The school must keep all loan applications for those students it reports on its FISAP.

The school's records must also include a repayment history for each borrower, containing—

- o the date and amount of each repayment during the life of the loan.
- o the amount of each repayment credited to principal, interest, late charges, and collection costs.
- o the date, nature, and result of each contact with the borrower (or endorser) in the collection of an overdue loan.
- o copies of all correspondence to or from the borrower and endorser, except for bills, routine overdue notices, and routine form letters.

A school must keep these repayment records, including cancellation and deferment requests, for at least five years from the date the loan is repaid, cancelled, or assigned.

☞ NOTE: A school does not have to keep separate records for the former National Defense and Direct Loan Programs, except for loan cancellation records.

College Work-Study

Under CWS, records must also include—

- o a certification, signed by the student's supervisor (an official of the school or off-campus agency) that a student has worked and has earned the amount being paid.
- o a payroll voucher with sufficient information to support all payroll disbursements. (See Chapter Seven, page 7-12 for more information.)
- o a non-cash contribution record, if a school paid its share of a student's earnings in the form of services and equipment. (See Chapter Seven, page 7-15 for information on non-cash contributions.)

FISCAL OPERATIONS REPORT

A school must submit annually a Fiscal Operations Report and any other reports the Department of Education may require in connection with administering the campus-based programs. The information reported must be accurate and verifiable.

The Fiscal Operations Report is combined with the application for campus-based funds into a single form—the FISAP—and is usually mailed to schools each summer. The cover letter accompanying the form specifies the date the report is due. The school's fiscal and financial aid offices complete the form jointly.

SECTION SIX:
ADMINISTRATIVE COST ALLOWANCE

Schools participating in the campus-based programs are entitled to an allowance to help offset administrative costs, such as salaries, furniture, travel, supplies, and equipment. The allowance can also be used for service fees that banks charge for maintaining accounts. Computer costs associated with Perkins Loan billing may also be paid from this allowance.

The administrative cost allowance is based on the total expenditures for all three programs, **excluding** the amount of Perkins Loans/NDSL's assigned to the Department and any CWS expenditures under the Community Service Learning (CSL) Program. Schools receive a separate administrative cost allowance for this program, equal to 10 percent of the CWS wages (Federal and institutional share) paid to students employed under CSL. (For more information on this program, see Chapter Seven, page 7-21.)

The campus-based cost allowance is calculated by adding the following:

5 percent of a school's first $2,750,000 of expenditures

+

4 percent of expenditures greater than $2,750,000 but less than $5,500,000

+

3 percent of expenditures greater than $5,500,000

☞ NOTE: The total allowance is a ***deduction*** from the school's annual authorizations for the SEOG and CWS programs and from the Perkins Loan Fund. It is not a separate allowance sent to the school.

Schools may use the allowance to help pay the costs of administering not only the campus-based programs, but the Pell Grant Program as well. Administrative costs also cover expenses for carrying out the student consumer information services requirements (Subpart D of the Student Assistance General Provisions regulations, 34 CFR Part 668).

☞ NOTE: A school may draw its allowance from any combination of campus-based programs, or it may take the total allowance from only one program—provided there are sufficient funds, of course. However, a school may not draw any part of its allowance from a campus-based program unless it has disbursed funds to students from that program during the award year.

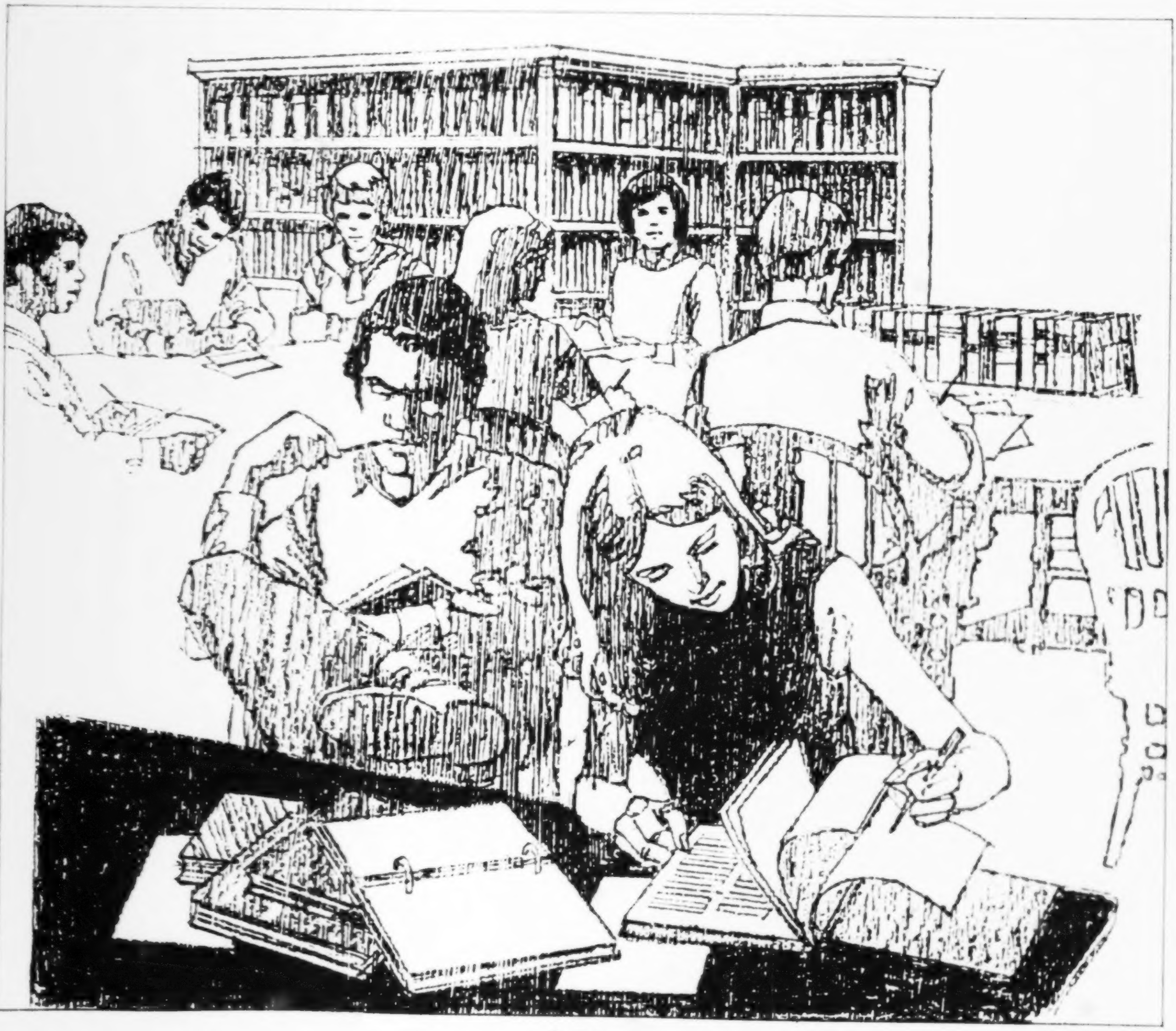
United States
Department of
Education

Office of
Student Financial
Assistance

1988-89

The Federal Student Financial Aid Handbook

Chapter Six
Perkins Loan Program



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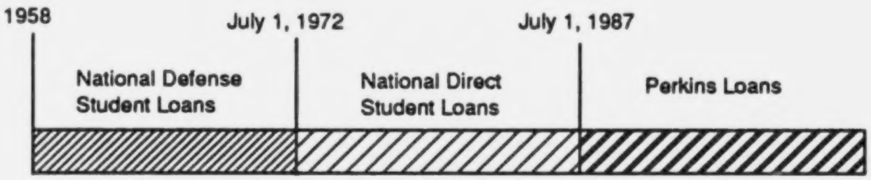
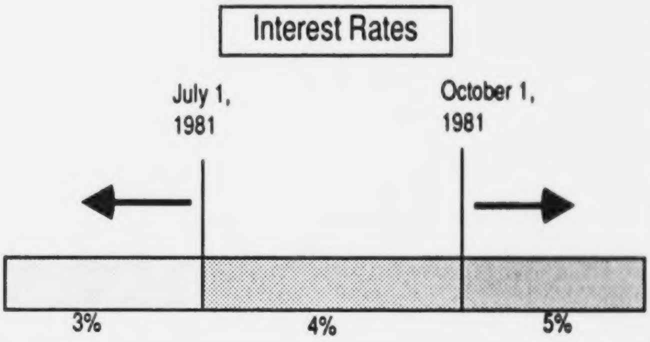
INTRODUCTION

Beginning with the 1987-88 award year, the Perkins Loan Program became the new name for the National Direct Student Loan Program. The name change honors the late Carl D. Perkins, former chairman of the House Education and Labor Committee. The change is the second this program has undergone: When it began in 1958, it was the National Defense Student Loan Program. It became the National Direct Student Loan Program in 1972. (Defense Loans are those made before July 1, 1972. Direct Loans are those made between July 1, 1972 and June 30, 1987. Perkins Loans are those made on or after July 1, 1987.)


1958
July 1, 1972
July 1, 1987
National Defense Student Loans
National Direct Student Loans
Perkins Loans

Perkins Loans are low-interest, long-term loans made through institutional financial aid offices to help needy undergraduate and graduate students pay their postsecondary educational costs. For loans made before July 1, 1981, the interest rate is 3 percent per year on the unpaid balance. For loans made between July 1 and September 30, 1981, the interest rate is 4 percent. For any loans made on or after October 1, 1981, the interest rate is 5 percent.


Interest Rates
July 1, 1981
October 1, 1981
3%
4%
5%

SECTION ONE:
STUDENT ELIGIBILITY

Priority for those with exceptional financial need and those eligible for Pell Grants

To be eligible for a Perkins Loan, a student must meet the eligibility requirements listed in Chapter Two. Note two additional requirements: First, priority must be given to those students with exceptional financial need, which you must define using procedures you have established for that purpose. Second, you must determine a student's eligibility for a Pell Grant before he or she can receive a loan. A preliminary hand calculation is acceptable, but you must back it up with a Student Aid Report (SAR).

Schools can request certain disclosures

Your school must comply with the equal credit opportunity requirements of Regulation B (12 CFR Part 202). The Department considers the Perkins Loan Program to be a credit assistance program authorized by Federal law for the benefit of an economically disadvantaged class of persons within the meaning of 12 CFR 202.8(a)(1). Therefore, you may request a loan applicant to disclose marital status, income from alimony, child support, and spouse's income and signature.

Willingness to repay

One other factor you must consider in selecting among eligible applicants is evidence of a student's willingness to repay. Default on a previous loan or a history of unpaid debts indicates an unwillingness to repay. However, if the borrower has made satisfactory arrangements to repay his or her debts, you may award a Perkins Loan. (For more information, see "DEFERMENT AND DEFAULT," page 6-24.)

☞ NOTE: A loan discharged in bankruptcy is not considered to be in default. However, a borrower whose loan was discharged in bankruptcy must reaffirm the debt in order to borrow under the Perkins Loan Program in the future. For more information on bankruptcy, see page 6-46.)

Schools may set priorities

Loans must be available to all levels of students, without discrimination. You may not exclude a particular category of students, such as graduate, half-time, or independent students. However, you may set certain priorities when you package. As an illustration, you could first distribute Perkins Loans to full-time third-year students who have at least $500 in financial need after the Family Contribution, Pell Grants, and any scholarships received have been subtracted from the cost of attendance. You may not use Perkins Loan funds ***exclusively*** for such a group, of course, but it is permissible to establish priorities.

SECTION TWO: MAKING AND DISBURSING LOANS

LOAN LIMITS

The maximum amounts a student may borrow are—

- $4,500 for a student enrolled in a vocational program or for a student who has not successfully completed two academic years of study toward a bachelor's degree.
- $9,000 for a student who has successfully completed two academic years of study leading to a bachelor's degree and has achieved third-year status. This ***includes*** any amount borrowed during the first two years of study.
- $18,000 for graduate or professional study. This ***includes*** any amount borrowed for undergraduate study.

Lifetime loan limits

These amounts are lifetime limits. Unlike the Guaranteed Student Loan Program (see Chapter Nine), repayment does not establish new loan limits. For example, a student who had borrowed $18,000 while earning bachelor's and master's degrees would not be eligible for a new loan for a doctoral program, even though the student had repaid part or all of the $18,000. A student who had borrowed $9,000 while earning a bachelor's degree would be ineligible for another loan if he or she later enrolled in a program for a second undergraduate degree. However, if the student had borrowed only $6,000 while enrolled for the first bachelor's degree, he or she could receive up to $3,000 while studying for the second.

☞ NOTE: A student who has already borrowed $4,500 cannot borrow additional funds for a program of study that does not lead to a bachelor's or higher degree.

Teaching certificate students

Students who return to school to take courses required for a teaching certificate may be considered either undergraduate or graduate students, depending on the school's policy. That decision is left to the school. If your school considers such students graduate students, and you have a student who has already borrowed $9,000, that student is still eligible to receive an additional Perkins/NDSL. If the policy is that these students are taking undergraduate courses, that student would not be able to receive an additional loan.

COUNSELING STUDENTS

Must provide certain information

Before making the first Perkins Loan disbursement, you must have the student sign the promissory note (see page 6-5), and you ***must*** furnish each student with certain information: You must tell each student about his or her rights and responsibilities under the Program. You must inform the student that the loan may be used only for educational expenses, and that he or she must repay it. You should also make sure the student knows that the ***school*** holds the promissory note.

You must also provide the following information:

- the name of your school and the address where communications and payments should be sent
- the principal amount of the loan, the interest rate, the ***total*** amount the student will owe, and an estimate of the monthly payment needed to repay that amount. You must also tell the student when he or she must start repayment, and when he or she must begin paying the interest that accrues
- the yearly and total amounts the student can borrow, the maximum and minimum repayment terms your school may impose, and the minimum monthly repayment
- a complete list of charges connected with making the loan, including whether those charges are deducted from the loan, or the student must pay them separately
- an explanation of the costs that may be assessed the student in collecting the loan, such as late charges and collection and litigation costs
- a summary of deferment and cancellation provisions, including a brief notice about the Department of Defense program for repaying loans based on certain military service (For more information on this program, see page 6-21)
- an explanation of default and its consequences, including a statement that the default may be reported to a credit bureau or credit reporting agency
- the effect of accepting the loan on the student's eligibility for other student financial aid
- an explanation of refinancing and loan consolidation options
- a reminder that the student can repay the entire balance and interest at any time, without penalty

You must provide this information to the student—in writing—as part of your application material, as part of the promissory note, or on a separate form. While the information can be mailed to students, it is preferable for you to meet with them to answer their questions and to emphasize their responsibility to repay their loans.

Obtain information from students

You are encouraged to use this initial counseling session to obtain the following information from students, which could be valuable later for use in collection procedures:

- student's name, current address, and Social Security Number
- parents' permanent address
- telephone numbers of the student and his or her parents
- expected date of graduation
- spouse's name and address
- spouse's employer
- names and addresses of two or three personal acquaintances
- student's driver's license number

This information will help you locate students who leave school without notice or who do not attend the exit interview.

Effective "pre-loan" counseling sessions will satisfy the requirement to tell each borrower about his or her rights and obligations and provide information about the nature of a Perkins Loan. However, this counseling may not be used to satisfy the requirement for an exit interview. (See Section Six, page 6-33 for more information.)

THE PROMISSORY NOTE

The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school. A student must sign this note before he or she can receive any Perkins funds and must be given a copy of the note at (or before) the exit interview. The note includes information about the interest rate on the loan, repayment terms, minimum rates of repayment, deferment and cancellation provisions, and late charges.

Without a valid note—one that would be upheld in a court of law—the lending institution has no recourse against a borrower who defaults. In such cases, the school would have to repay to its Perkins Loan Fund any amounts loaned as well as any administrative cost allowance claimed on those amounts. Some examples of invalid notes include an out-of-date note, a note that has been changed after it has been signed, or a note without proper signatures or dates for loan advances.

Sample promissory notes—12/1/87 regs.

The December 1, 1987 campus-based regulations contain sample promissory notes. Two are for those who have Perkins Loans: one note for borrowers attending at least half-time, one for less-than-half-time borrowers. Perkins Loan notes contain all the new provisions (such as deferment and cancellation) enacted by the 1986 HEA Amendments.

Two other notes are for those who have Direct Loans—again, one note for borrowers attending at least half-time, one for less-than-half-time borrowers. Using two sets of notes will avoid confusion over which provisions apply to which borrowers. Once you have categorized a student as a Perkins or Direct borrower, the provisions of the appropriate promissory note will continue with that borrower for the life of the loan.

Three provisions common to Direct and Perkins promissory notes

Direct Loan notes contain three provisions also found in Perkins Loan notes:

- The late charge a school must assess the borrower for failing to pay all or part of an installment when due may not exceed 20 percent of the borrower's monthly, bimonthly, or quarterly payment. The school must establish a charge based on reasonable expenses incurred in billing a borrower. (For more information, see page 6-36.)

  ☞ NOTE: Schools were ***authorized*** to assess late charges beginning January 1, 1986; they were ***required*** to assess them beginning July 1, 1987.

- If the amount of the borrower's monthly or other payment is not a multiple of $5, the school may round each payment to the next highest $5 increment.

- The school must charge a borrower for the full amount of contingent fees charged the school by a collection firm. These fees are considered part of "reasonable collection costs," for which the borrower is fully liable.

Schools encouraged to issue new Direct Loan notes

Schools are strongly encouraged to issue new Direct Loan notes so that these three provisions will be incorporated. New notes must list the borrower's old advances and the original dates they were made. The borrower must initial or sign next to each advance and must date each signature. ***Schools may deny new advances if a borrower does not want to re-sign***. When the borrower re-signs for past advances, he or she is agreeing to the three revised provisions. **No other Direct Loan note provisions would change.**

Schools should not destroy their old promissory notes, but should mark them as superseded and keep them with the new notes.

Keep old promissory notes

☞ NOTE: If the student changes enrollment status from less-than-half-time to at least half-time, or vice versa, the student must sign a new promissory note.

School-Designed Note

Your school need not use the sample notes in the December 1, 1987 campus-based regulations, but your notes must comply with their contents and must contain certain minimum information (see the Appendix at the end of this chapter).

The note may be printed on more than one sheet of paper if the borrower and/or endorser signs each page, or if each page contains the number of that page plus the total number of pages in the note (for example, page 1 of 3, page 2 of 3).

If your school wants to develop its own note, there are two types: "open end" and "closed-end" ("limited") notes.

"Open-End" Note

An open-end note does not itself contain the specific amount of the approved loan. Instead, at the time of each disbursement, you must enter the amount received and the date of receipt in the "Schedule of Advances," which is made a part of the note. The borrower must sign this Schedule ***each time*** he or she receives a disbursement. **It is not acceptable practice for the student to sign in advance**.

Does not contain loan amount

If your school uses an open-end note, it does not have to issue new notes for future loans it makes to the same borrower, ***unless*** the requirements of the Perkins Loan Program are changed by statute or regulation.

The sample notes in the December 1, 1987 campus-based regulations are open-end notes.

"Closed-End" or "Limited" Note

This note is valid for not more than 12 months and usually covers one award year or one academic year. The amount of the loan must be entered in the note. Closed-end notes can be designed for a single disbursement or multiple disbursements. If your school uses multiple disbursements, the borrower must sign for each advance. If there will be only one disbursement, the borrower's signature at the bottom of the note is sufficient.

Valid for 12 months—contains loan amount

Optional Provisions

There are certain optional provisions a school may include in its promissory note. Those not included cannot be used in loan collection. The provisions are—

1. *Minimum Repayment*

At least $30 a month

Under a ten-year repayment plan, if a borrower's monthly payments would be less than $30, a school may require a minimum repayment of $30 per month (or the equivalent amounts in bimonthly or quarterly installments).

2. *Signed Under Seal*

Extends statute of limitations

A note can be "signed under seal," if a State has such a provision. This means if the school inserts the sentence, "This note is signed as a sealed instrument" just above the borrower's signature and inserts the word "seal" next to the borrower's signature, the statute of limitations on the loan is extended beyond the usual six years. The length of the extension varies from State to State: in some States, it will be extended for a specific—and significant—period of time; in other States it will be, in effect, extended indefinitely. If your school includes such a provision, the borrower is expected to continue paying on the note—and your school is expected to continue its collection procedures—for a much longer period. If the "seal" references are not included in the note, the normal statute of limitations will apply.

3. *Academic Transcripts*

Can choose not to release if student is in default

A school may include a provision that it will not release a student's academic transcript if the student is in default.

4. *Confession of Judgment*

Attach assets

This provision allows the school to attach the borrower's assets immediately upon default. The assets that can be attached vary by State.

Schools should consult their attorneys if they want to include options 2, 3, or 4 in their notes.

Attaching Repayment Schedules

A repayment schedule, which the borrower must sign, must be attached to the original note (and to each copy of the note in the school's file) at the time the borrower leaves the school. The Department of Education recommends a repayment schedule that shows the principal and interest due on each installment and the amount left to be paid. This type of schedule is not a requirement; however, as a minimum, a repayment schedule should contain—

Repayment schedule provisions

- o the number of repayments of principal or the number of equal repayments.
- o the rate of interest.
- o the date the first repayment is due.
- o the frequency of repayments.

Disposition of the Promissory Note

Notes must be kept in a locked, fireproof container or, alternatively, in a bank safety deposit box. Only authorized personnel may have access to the notes.

If an error is discovered in a promissory note, your school should obtain legal advice about what action should be taken. The appropriate school official, the student, and if necessary, an endorser, should sign or initial all approved changes in the note.

Borrower receives original note after loan is paid in full

When a loan has been repaid, mark the note "Paid in Full," have it certified by an official of your school, and give the original note to the borrower. Your school must keep a copy of the note for at least five years after the date the loan was repaid in full.

Assignment

A promissory note may be assigned only to—

- o a school participating in the Perkins Loan Program,
- o the U.S. Department of Education (see Section Six, page 6-48 for a discussion of assignment), or
- o a school to which the borrower has transferred (if the school participates in the Program or is eligible to participate and is approved by the Department of Education to receive promissory notes).

The school that transfers a note assigns all rights to amounts collected to the school that accepts responsibility for the note.

Except under the circumstances given above, a promissory note may not be assigned or transferred.

DISBURSING FUNDS

Loans may be either disbursed directly to students or credited to their accounts. Whichever method you choose, you must keep either cancelled checks or vouchers as evidence of payment.

Directly—up to 10 days before class begins

Credited to account—up to 3 weeks before class begins

You may not disburse funds for a payment period until the student registers for that period. (Correspondence students must submit their first completed lessons before receiving funds.) You may **disburse directly** to the registered student no more than **10 days** before the first day of classes of a payment period. You may **credit the student's account** no more than **3 weeks** before the first day of classes of a payment period. (These provisions are also true for the SEOG Program.) Under the old campus-based regulations, schools could disburse a Perkins Loan (or an SEOG) only at the beginning of, or within, a pay period. The new disbursement policy—the result of the December 1, 1987 regulations—offers greater flexibility and is now consistent with that of the Pell Grant Program.

Keep in mind that if you make advance payments, your school must accept the responsibility resulting from any overpayment. If a student should withdraw—or be expelled—before the first day of classes, for example, all funds disbursed are considered an overpayment and must be restored to the Perkins Loan Fund. A student who never begins class is considered to have withdrawn.

Power of attorney

☞ NOTE: Normally, a school official may not obtain a student's power of attorney to endorse any check used to disburse funds or to sign for any loan advance. However, the Department of Education may grant exceptions in a limited number of cases, such as for students studying in off-campus programs, particularly those studying abroad. This is permitted only when no appropriate person other than a school official is available to endorse the check. **The school must obtain the Department's approval.**

Advance during each payment period—standard term schools

Pay at least twice a year—non-standard term schools

If you are making a loan for a full academic year and your school uses standard academic terms, you must advance a portion of the loan during each payment period. Payment periods are defined as semesters, trimesters, or quarters. The amount to be advanced is usually determined by dividing the award by the number of payment periods in the academic year. If your school does not use standard academic terms, you must advance funds at least twice during the academic year—once at the beginning and once at the midpoint. Normally, no more than half the loan may be advanced before the midpoint (for the exception, see the "Note" near the top of the next page).

For a student attending less than a full academic year, divide the award by the number of payment periods the student will attend.

Only one payment is necessary if the total amount awarded under the Perkins/National Direct Student Loan and SEOG programs is less than $501.

Additional funds during a payment period

☞ NOTE: If a student incurs uneven costs during an academic year and needs additional funds during a particular payment period, you may advance the additional amount **whether or not your school uses standard academic terms**. (This is a change from former policy, which was that only standard term schools could disburse extra funds in a payment period.)

For example, a student will receive a $1,000 Perkins Loan, and the student must spend $300 for books and supplies at the beginning of the school year. That $300 could be disbursed along with the first payment. To determine the first payment, subtract the extra amount (in this case, $300) from the total loan and divide the remainder by the number of payment periods. The regular amount for one payment period is then added to the extra amount to determine the initial payment.

If your school has a two-semester system, the payments would be determined as follows:

$1,000		Total loan
- 300		Additional costs at beginning of school
$ 700	÷	2 payment periods = $350 regular payment
$ 350		Regular payment
+$ 300		Extra for books and supplies
$ 650		Total first disbursement
		($350 would be the second disbursement)

Within a payment period, you may advance funds in whatever installments you determine will best meet the student's needs.

☞ NOTE: A six-month training program that prepares students for employment in a recognized occupation equals a full academic year for disbursement purposes. A six-month program is one that is 600 clock hours, 16 semester hours, or 24 quarter hours.

SECTION THREE: REPAYMENT

REPAYMENT PERIODS

Different repayment terms depending on when loan was made

The term "repayment period" refers to the span of time the borrower has to repay his or her loan—usually a maximum of 10 years from the time repayment begins. (For the exception, see the discussion of "low-income individual" below.) Repayment begins after an initial "grace period" has expired, or may begin sooner at the borrower's request. Grace periods are normally either six or nine months—their length varies because of legislative changes to the Perkins/NDSL Program over the years. These changes also result in different repayment terms, depending on when a borrower took out a loan.* One borrower may have several loans—each is subject to the repayment terms in effect at the time the particular loan was made.

Repayment periods extended by deferments

A borrower's repayment period may be extended by deferments (that is, periods of time during which no payments are required—see Section Four, page 6-21) or may be extended to avoid hardship (as in cases of prolonged illness or unemployment). In such cases, payments are reduced. A borrower may also be able to receive a deferment to avoid hardship (see page 6-22). Repayment periods may vary because of minimum monthly repayment requirements (see "MINIMUM REPAYMENT RATES," page 6-18 for more information).

Repayment Period Established by Higher Education Act of 1965 (November 8, 1965 to September 30, 1980)

9 months after dropping below half-time

Borrowers must repay their loans, plus interest, in quarterly, bimonthly, or monthly installments over a 10-year period. The borrower may repay in graduated installments if the Department of Education approves. Repayment begins ***nine months*** after the borrower drops below at least ***half-time*** study at an institution of higher education or at a comparable school outside the U.S. that the Department of Education has approved. The repayment period may begin earlier if the borrower requests it.

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*Under the original National Defense Education Act of 1958, a repayment period began one year after the borrower dropped below full-time study. These terms were in effect through October 15, 1964. From October 16, 1964 through November 7, 1965, a repayment period began one year after the borrower dropped below half-time study.

Repayment Period Established by Education Amendments of 1980 (Beginning October 1, 1980)

The provisions are the same as those above, with two exceptions:

6 months after dropping below half-time

(1) Repayment begins ***six months*** after the borrower drops below at least half-time attendance.

Low-income individual—10 additional years to repay

(2) If a borrower qualifies as a "low-income individual" during the 10-year repayment period, the lending institution may extend the repayment period up to 10 ***additional*** years. A "low-income individual" is one whose family's taxable income for the preceding calendar year did not exceed 150 percent of the poverty level established by the Bureau of the Census for that year. The borrower's family includes any spouse or legal dependents. The school may also adjust the repayment schedule to reflect the income of such a borrower. (When we say "adjust," we mean the school could require the borrower to pay $10 for six months, for example, and then $50 a month to catch up. In this way, the repayment period would not be extended. Or, the school could allow the borrower to pay $10 a month for a year and then resume normal payments—$30 a month, for example. This ***would*** extend the repayment period.)

You must review the borrower's status annually to determine if he or she still qualifies as a "low-income individual." If not, you must adjust the repayment schedule appropriately.

Repayment Period Established by Higher Education Amendments of 1986

Many provisions are the same as those established by the 1980 Education Amendments, with certain additions or changes:

- You must establish a repayment plan before the student ceases to be at least a half-time student.
- If the last scheduled payment would be $15 or less, you may combine it with the next-to-last payment.
- You must apply any repayment received in the following order:

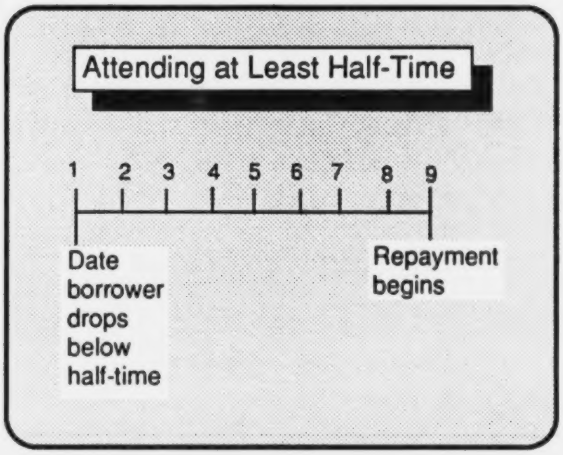
*Collection costs
*Late charges (or penalty charges)
*Accrued interest
*Principal

Perkins Loan Borrowers

A Perkins Loan borrower can be one of two types—first, one who borrows for the first time for periods of enrollment beginning on or after July 1, 1987. The second type is someone who has borrowed in the past but whose loan(s) has been paid in full or has been cancelled, ***and*** who will be borrowing for periods of enrollment beginning on or after July 1, 1987.

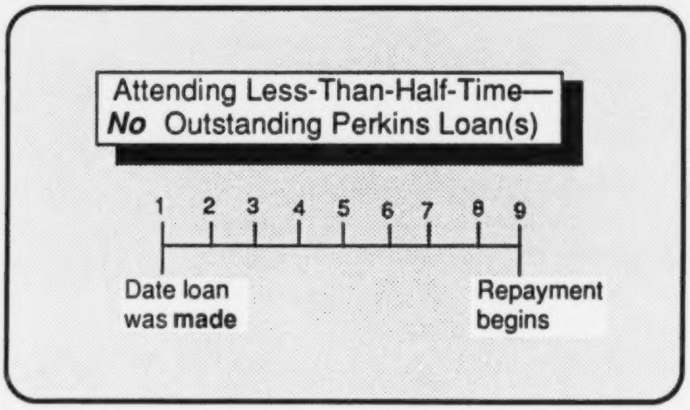
Borrowers Attending at Least Half-Time

Repayment begins ***nine months*** from the date the borrower ceases to be at least half-time. The rest of the repayment terms established by the 1980 Education Amendments continue to apply.

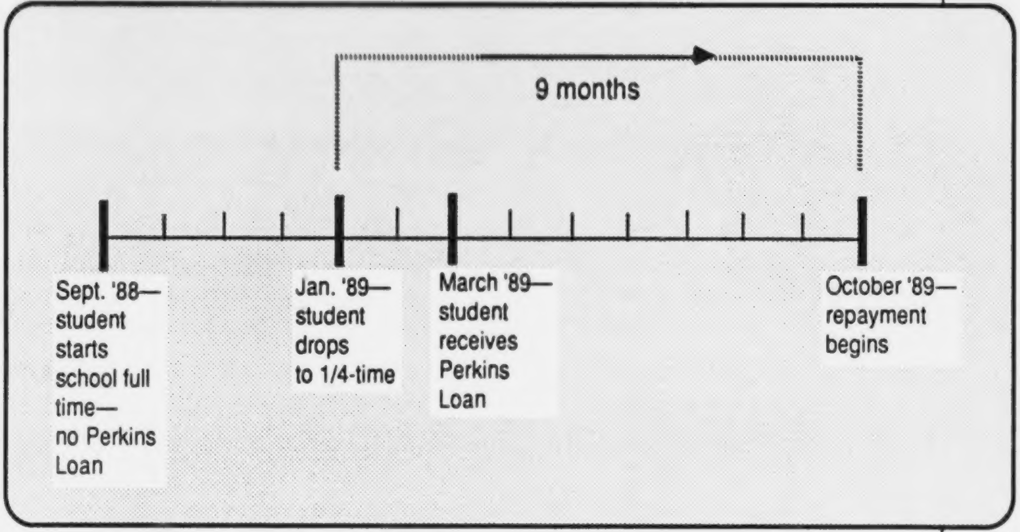

Attending at Least Half-Time
1
2
3
4
5
6
7
8
9
Date borrower drops below half-time
Repayment begins

*Borrowers Attending Less-Than-Half-Time—**No** Outstanding Perkins Loan(s)*

Repayment will usually begin nine months from the date the Perkins Loan is **made**.


Attending Less-Than-Half-Time—
No Outstanding Perkins Loan(s)
1
2
3
4
5
6
7
8
9
Date loan was made
Repayment begins

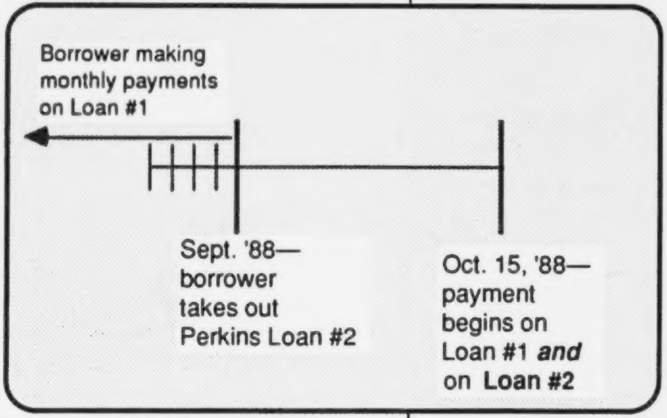
However, if a student receives a loan within nine months ***after dropping below*** half-time status, repayment will begin nine months **from the date he or she dropped below half-time**. For example, a student starts school full-time in September, 1988. She does not have a Perkins Loan. In January 1989, she drops to one-quarter time. In March, she receives a Perkins Loan. She must begin repayment in **October** 1989—nine months from the date she dropped below half-time (January), ***not*** nine months from the date the loan was made (March).


9 months
Sept. '88—student starts school full time—no Perkins Loan
Jan. '89—student drops to 1/4-time
March '89—student receives Perkins Loan
October '89—repayment begins

*Borrowers Attending Less-Than-Half-Time—**With** Outstanding Perkins Loan(s)*

If the less-than-half-time borrower has an outstanding Perkins Loan, repayment on an ***additional*** loan begins when the **next scheduled installment** of the outstanding loan is due.

For example, suppose the borrower has been making monthly repayments on Perkins Loan #1. He takes out Perkins Loan #2 in September, 1988. His next scheduled payment on **Loan #1** is October 15. He will begin repaying **Loan #2** at the same time. **Remember, the repayment status of the outstanding loan determines the repayment status of the second loan.** If the previous loan is being deferred for up to three years of military service, for example, the second loan will be deferred for the same length of time.


Borrower making monthly payments on Loan #1
Sept. '88—borrower takes out Perkins Loan #2
Oct. 15, '88—payment begins on Loan #1 *and* on **Loan #2**

GRACE PERIOD

As mentioned earlier, a "grace period" is the period of time before the borrower must begin repaying the loan. This is known as the "initial" grace period. (For information on a "post-deferment" grace period, see page 6-23.)

When a borrower leaves school, the grace period may begin either on the first day of the month following the month the borrower leaves, or on the actual date of the borrower's separation, whichever the school chooses.

For students attending at least half-time, the grace period does not end until they cease to be at least half-time for a ***continuous*** period of six or nine months, whichever is applicable (see the previous discussion of repayment periods beginning on page 6-12). For example, a borrower takes out a loan in the fall quarter, drops out of school for the winter quarter, and resumes at least half-time study for the spring quarter. The borrower would still be entitled to a full grace period if he or she again leaves school or drops below half-time status.

☞ NOTE: For loans made ***before*** October 1, 1980, if the grace period has expired on one loan and a borrower resumes study and receives a second loan (also before October 1, 1980), he or she would receive another grace period ***only for the second loan***. For example, a student attends school for one year and then drops out. The applicable grace period expires, and the borrower begins repayment. The borrower decides to return to school to complete the course and receives another loan. When the student finishes school, he or she is entitled to a grace period for the second loan only, and must resume repaying the first.

However, if the loans in this example were made ***on or after*** October 1, 1980, the grace period would cover ***both*** loans.

ESTABLISHING REPAYMENT DATES/COMPUTING INTEREST

First Payment Dates

Monthly, bimonthly, or quarterly

Depending on the repayment schedule (monthly, bimonthly, or quarterly), the borrower's first payment is due one, two, or three months from the date the grace period expires.

Standard dates for quarterly repayment

For convenience, a school may establish standard repayment dates for borrowers who are on quarterly repayment schedules. The first repayment date may be the first day of the calendar quarter after the grace period—plus three months—has expired. Four standard dates would be used: January 1, April 1, July 1, and October 1.

Borrowers' Termination Date	First Grace Period Ends	Installment Due
January 1	June 30	October 1
February 1	July 31	January 1
March 1	August 31	January 1
April 1	September 30	January 1
May 1	October 31	April 1
June 1	November 30	April 1
July 1	December 31	April 1
August 1	January 31	July 1
September 1	February 28	July 1
October 1	March 31	July 1
November 1	April 30	October 1
December 1	May 31	October 1

Repayment schedules must be adjusted (preferably on the first installment) so that the loan will be repaid within the normal ten-year period, or as prescribed in the terms of the promissory note.

Effect of Deferment on Repayment Dates

For collection and bookkeeping purposes, it is preferable to have a fixed repayment date. Otherwise, if the borrower is entitled to a deferment, you may have problems in computing the payments due. (See Section Four, page 6-21 for a discussion of deferments.)

Once the payment date has been established, the borrower will owe principal and interest for any portion of a scheduled installment period not covered by a deferment. However, if the borrower is in deferment on a due date, any amounts owed are carried over and paid on the first due date the borrower is out of deferment.

Computing Interest

Generally, interest is computed from the date payment is received rather than from the due date. However, there are exceptions. For example, if a grace period expires in the middle of a month, interest may be computed to the beginning of the next month. Also, if a past due payment is received before the next regularly scheduled payment, the interest may be computed according to the established payment schedule—no adjustments are necessary. You would use your own judgment in such a situation.

☞ NOTE: Past due payments should be applied in the same order as that for repayments (see page 6-13).

PREPAYMENT

No penalty

The borrower may prepay all or part of the loan at any time, without penalty. Amounts repaid during the academic year the loan was made, but ***before the grace period begins***, must be used to reduce the original loan and may not be considered prepayments.

Example

A borrower has a $1,000 Perkins Loan. His grandmother gives him $400 during the year the loan was made but before the grace period has begun. The borrower applies the money toward his Perkins Loan. His principal will be reduced by $400.

If the borrower repays any amounts during the academic year in which the loan was made ***and the initial grace period ended*** (as might occur, for example, if the student dropped to less-than-half-time attendance or left school), only those amounts that exceed the amount due for a repayment period may be counted as prepayments.

Example

A borrower has a $1,000 Perkins Loan. Her grandmother gives her $400 during the year the loan was made but after the grace period has expired. The borrower gives the school the $400. The borrower's monthly payment is $30. The school will subtract $30 for the monthly payment; the remaining $370 will be a prepayment. The principal advanced the borrower remains $1,000. In this case, the interest would be reduced and the borrower would repay the loan sooner.

If the borrower repays more than the amount due for any repayment period in any year ***other than*** the academic year the loan was made, you must use the excess to prepay principal, unless the borrower designates it as an advance payment of the next regular installment.

MINIMUM REPAYMENT RATES

Defense Loans

$15 a month

A school may require a borrower to pay at least $15 a month (or the equivalent in bimonthly or quarterly payments) if the monthly repayment over a ten-year repayment period is less than $15, and if the promissory note includes a $15 minimum monthly repayment provision. Students may need to make a higher payment, of course, to repay their debt by the end of 10 years.

Sec. 674.33(b)(3)(i)

The borrower may have received Defense Loans from more than one school. If only **one** school exercises the $15 option when the total monthly repayments are less than $15, that school receives the difference between $15 and the repayment owed to the second school.

Example

Suppose School A, which does not exercise the minimum repayment option, would receive $10 a month (the amount due under its established 10-year repayment plan). School B, which exercises the $15 option, would receive $5, the difference between $15 and the amount of principal and interest paid to School A.

If a borrower has obtained Defense Loans from more than one school and **each** exercises the minimum repayment option, the $15 minimum repayment is divided among the schools in proportion to the total amount of principal each has advanced.

Direct or Perkins Loans

$30 a month

The minimum repayment provisions are the same as for Defense Loans above, except that "$30" should be inserted for "$15." Again, students may need to make a higher payment to repay their debt by the end of 10 years.

Borrowers Receiving Defense, Direct, or Perkins Loans from One or More Schools

If a borrower's ***total*** monthly repayment is **at least $30**, no school may exercise a minimum repayment option, even if the Defense Loan repayment is less than $15 or the Direct or Perkins Loan repayment is less than $30.

Example

A borrower is paying $10 a month on a Defense Loan received at School A and $20 a month on a Direct Loan received at School B. Neither school may exercise a minimum repayment option.

If the total monthly repayment is **less than $30**, a school may exercise the minimum repayment options applicable to the respective loans. However, the maximum monthly repayment may not exceed $30.

Examples

A borrower is paying $10 a month on a Defense Loan received at School A and $15 a month on a Perkins Loan received at School B. School A could exercise the minimum monthly repayment provision for Defense Loans and collect $15 a month. The borrower's total monthly repayment would then be $30. However, **School B** could ***not*** exercise the minimum monthly repayment provision for Perkins Loans (which would be $30), because the borrower's total monthly repayment would then be $40.

In another instance, a borrower is paying $10 a month on a Direct Loan received at School A and $15 a month on a Perkins Loan received at School B. In this case, ***neither*** school could exercise a minimum monthly repayment provision, because that would be $30 for either loan. The borrower's total payment would then be either $40 or $45 and would exceed the maximum monthly payment permitted.

If the total monthly repayment is **less than $30** and the monthly repayment on the Defense Loan is less than $15–***and*** the school exercises its minimum repayment option on the Defense Loan–no more than $15 may be attributed to the Defense Loan.

If the borrower owes funds to more than one school, he or she should contact any school that is exercising a minimum repayment option and provide the following information:

- the names of all other schools to which the borrower owes funds under the Perkins/NDSL Program
- the approximate amount of the indebtedness to each school
- any information that would help identify the loans—for example, the loan number and the dates of loan advances

The school the borrower contacts should then contact the other schools and negotiate the amount each should receive from the borrower.

Borrowers Receiving Loans with Different Interest Rates from the Same School

In this case, if the total monthly repayment is **at least** $30 for all loans, the school may not exercise the minimum monthly payment on any loan. If the total monthly repayment would be **less than** $30, the school may exercise the $30 option, providing it has been included in the promissory note, and the school divides the repayment between accounts in proportion to the amount of principal advanced under each loan.

Borrowers Having Loans with Different Grace Periods and Deferments

In this case, the school must treat each note separately, and the borrower must pay the applicable minimum monthly payment for any loan that is not in a grace or deferment period.

☞ NOTE: As long as the borrower's minimum monthly repayment is $30, a school may reduce the scheduled repayments for up to one year ***at a time*** to avoid hardship to the borrower.

SECTION FOUR: DEFERMENTS

Although it is not a deferment, it's useful to know that the U.S. Army offers a loan *repayment* program as an enlistment incentive. If a Perkins/NDSL (or GSL) borrower serves as an enlisted person in the U.S. Army, in the Army Reserves, or in the Army National guard, the Department of Defense will repay a portion of the loan. For more information, the student should contact his or her local Army recruiting office. This is a recruitment program and does not pertain to an individual's prior service. (At the time this *Handbook* was written, the Army was the only branch of the Armed Forces offering this repayment program.)

At least half-time attendance

A borrower is entitled to have the payments on a Perkins/NDSL deferred under certain circumstances. Generally, as long as a borrower is attending an institution of higher education at least half time, loan repayment is deferred. (For the exception to the half-time requirement, see the following section, "DEFENSE LOANS AND DIRECT LOANS MADE BEFORE OCTOBER 1, 1980.") The school need not participate in the Perkins/NDSL Program for the borrower to receive a deferment. If a school no longer qualifies as an institution of higher education, the deferment ends on the date the school ceases to qualify.

"Institution of higher education" also means a school outside the U.S. that is comparable to a U.S. school of higher education. If there is a question about comparability, you should check the "World Education Series," published by the American Association of Collegiate Registrars and Admissions Officers. Note that a school can be comparable even if it is not eligible to participate in Title IV programs.

Deferments are excluded when determining the 10-year repayment period.

Hardship

A borrower can receive a deferment for hardship (for example, if the borrower is facing a prolonged period of illness or unemployment). However, interest will continue to accrue during the deferment.

If the borrower is attending at least half-time for a full academic year and intends to do so in the next academic year, he or she is entitled to deferment for 12 months.

Other situations where repayment can be deferred vary depending on when the loan was made.

DEFENSE LOANS AND DIRECT LOANS MADE BEFORE OCTOBER 1, 1980

3-year deferments

A borrower can receive a deferment for up to three years while serving as—

- a member of the U.S. Army, Navy, Air Force, Marines, or Coast Guard.
- a Peace Corps volunteer.
- a VISTA volunteer under Title I—Part A of the Domestic Service Act of 1973.

Exception for less-than-half-time attendance

For Defense Loans only (loans made before July 1, 1972), a school may defer repayments for up to three years for students attending school ***less than half-time***, if they are taking courses creditable toward a degree. However, interest will continue to accrue.

DIRECT LOANS MADE BEGINNING OCTOBER 1, 1980

3-year deferments

The borrower can receive a deferment for up to three years while serving as—

- a member of the U.S. Army, Navy, Air Force, Marines, Coast Guard, or as an officer in the Commissioned Corps of the U.S. Public Health Service.
- a Peace Corps volunteer.

- a VISTA volunteer under Title I—Part A of the Domestic Volunteer Service Act of 1973.

- a full-time volunteer in service the Department of Education has determined is comparable to Peace Corps or VISTA service. (See Section 674.35(c)(4) of the December 1, 1987 campus-based regulations for a description of comparable service.)

- temporarily totally disabled or unable to work because he or she must care for a spouse who is so disabled. A physician's statement is required to prove disability. See Section 674.35(c)(5)(ii) and (iii) of the December 1, 1987 campus-based regulations for a description of temporary total disability.

2-year deferments

Deferments will also be granted for up to two years while the borrower is serving an internship required by a State licensing agency to begin professional practice or service. The internship program must require that the borrower have a bachelor's degree before being admitted. In addition, the borrower must furnish certain information confirming that his or her deferment qualifies. (See Section 674.35(d)(3).)

Post-deferment grace period

After each of the deferments mentioned above, the borrower is entitled to a six-month grace period before repayment begins (a "post-deferment" grace period). Neither the deferment nor the grace period is included in determining the ten-year repayment period.

PERKINS LOANS

The same deferments listed in the preceding section continue to apply, with some modifications:

- There is a new three-year maximum deferment for borrowers who are full-time active-duty members of the National Oceanic and Atmospheric Administration Corps.

- The deferment for temporary total disability covers **any dependents** of the borrower, not just the spouse.

- An internship is still eligible even if it is not one required by a State licensing agency as long as a baccalaureate degree is required, and as long as the internship leads to a degree or certificate awarded by a postsecondary school, a hospital, or a health care facility with postgraduate training. The borrower must furnish certain information confirming that his or her deferment qualifies under this category. (See Section 674.34 (d)(4).)

There are two additional deferments for Perkins Loan borrowers:

- Up to one year if the borrower is a mother of a preschool age child, provided the mother is going to work (or going back to work) at a salary that is no more than $1.00 over the minimum wage.
- Up to six months if the borrower is pregnant, or if he or she is taking care of a newborn or newly adopted child. (This deferment is called "parental leave.") The borrower must be unemployed and not attending school and must apply for deferment within six months of leaving school or dropping below half-time status.

DEFERMENT AND DEFAULT

Deferment for defaulted borrower who signs new repayment agreement

Historically, a borrower in default was no longer entitled to a deferment even if he or she would otherwise qualify. It is still true that a borrower is no longer ***entitled*** to a deferment, but under the December 1, 1987 campus-based regulations, you may grant the borrower one if he or she signs a new repayment agreement.

Deferment can be granted even if loan is accelerated

Once the borrower misses a scheduled payment, he or she is in default for purposes of determining the school's default rate and the borrower's status for new Federal student aid. However, if the borrower enters into a new written repayment agreement, the school may grant a deferment **even if the school has accelerated the loan**. The Department encourages schools to require the borrower to repay immediately some or all of the past-due amounts as a condition of the new agreement—thus "curing" the default. "Past-due amounts" are those scheduled to be repaid before the date the school determined that grounds for a deferment existed. Past-due amounts include late charges and collection costs.

☞ NOTE: **Schools are not required to grant deferments on loans in default**; however, if they do, they are expected to calculate past-due, accrued interest. If schools believe this is unduly burdensome, they may deny deferments.

Applies to deferment requests received after February 3, 1988

The new policy to grant deferments on defaulted loans applies to ***all*** requests for deferment received after the effective date of the December 1, 1987 campus-based regulations (which is February 3, 1988), **regardless of the date the loan was made**. The change has no effect on the requirement that the borrower file for deferment on time and provide satisfactory documentation that he or she qualifies for the deferment.

DEFERMENT VS. STUDENT STATUS

At times a borrower may neglect to notify a school that he or she has continued studies at least half-time at another school. Since you would not have this information, you would assume the repayment period had started, and you might demand payment from the borrower. In such a case, borrowers often request relief in terms of a "deferment," rather than on the basis of their student status. Actually, since the borrower was still enrolled at least half-time, the term "deferment" would not be appropriate, since the repayment period had not started. **Regardless of failure to notify you, the borrower is not required to begin repayment until his or her studies are completed**. The borrower may submit proof at any time—even after a loan has been accelerated—that the repayment period should have begun later than the date you originally calculated. **You must recalculate that date if you receive this proof**. You must also deduct from the loan balance any interest accrued and any late charges added before the date the repayment period began.

Note that the borrower remains responsible for payments that would have been due in any event, and you are not obligated to grant a deferment for any past-due payments.

DEFERMENT PROCEDURES

Borrower obtains deferment form from school

Borrowers must apply for a deferment by obtaining a form from the business or student loan office of the school that made them the loan (or from the school's billing service, if it uses one). The form must be submitted to the school before the first repayment is due, along with whatever documentation the school requires. (The Department of Education does ***not*** approve or supply deferment forms.) The borrower must file a form at least once a year for as long as the deferment can be claimed. The borrower must immediately report any change in deferment status to the lending institution.

School approves or disapproves

Properly certified forms

You must approve or disapprove any deferment forms your school receives, making sure they are properly completed. You must also make sure a deferment does not exceed the maximum length. For service in the military, Commissioned Corps, or National Oceanic and Atmospheric Administration Corps; or for services as a volunteer in the Peace Corps or VISTA (or comparable service), an authorized official of the appropriate organization must certify the period of service. Your school's registrar must make a record of whether deferment was granted, certify that the student is enrolled at least half-time, and file the forms. (In certifying enrollment, it is acceptable to use a stamped or autopenned signature of the registrar as long as the school seal is affixed.)

Penalties for late filing

If the borrower does not file for deferment on time or does not supply the documents required to determine whether he or she qualifies for deferment, you ***must*** impose a late charge. (For information on late charges, see page 6-36.) Also, you may declare the loan in default and may accelerate it.

SECTION FIVE: CANCELLATION

A borrower may have all or part of his or her loan (including interest) cancelled for service as a teacher, or for service in a Head Start program, in the Peace Corps or VISTA, or in the military. Cancellation provisions are also granted for death, disability, and in some cases, for bankruptcy. (For more information on bankruptcy, see page 6-46.)

Provisions common to Defense, Direct, and Perkins Loans

Although cancellation provisions vary, depending on whether the borrower has a Defense, Direct, or Perkins Loan, the following provisions apply to any loan:

- The borrower must apply for cancellation for teaching, military, or volunteer service by obtaining the appropriate cancellation form from the business or student loan office of the school that made the loan (or from the school's billing service, if it uses one). The form must be submitted to the school on time. (The Department of Education does not approve or supply cancellation forms.) The borrower must provide any documentation the school requests to show that he or she qualifies for cancellation. (For appropriate documentation, see the individual cancellation category in this section.)

  It is your school's responsibility to determine, based on that documentation, whether borrowers are entitled to have any portion of their loans cancelled. This responsibility cannot be delegated.

- No portion of any loan may be cancelled for services the borrower performed before the date the loan was disbursed, or during the same period he or she received the loan.

- The lending institution must grant a cancellation for death or permanent total disability regardless of the loan's repayment status.

- For each year a borrower receives partial loan cancellation for military or VISTA service, he or she is considered to have also used one year of deferment for military/VISTA service.

- As is the case with deferment, a borrower can receive a cancellation even if the loan has been declared in default as long as he or she signs a new repayment agreement but, ***unlike*** deferment, the borrower ***cannot*** receive a cancellation ***after*** the loan has been accelerated.

- o You may not refund a repayment made during a period when the borrower qualified for cancellation, unless the borrower made a payment because of institutional error. To reduce the chance of error, you should keep the borrower informed of any new cancellation benefits.

TEACHER CANCELLATION

> ☞ NOTE: The December 1, 1987 regulations define terms essential in determining a borrower's qualifications for teacher cancellation, such as "teacher," an academic year or its equivalent, and "handicapped children." Please consult Section 674.51 of the regulations for these definitions.

Based on postition description

Teacher cancellation is based on the duties presented in an official position description, not on the position title. ***You may refuse cancellation for simultaneous teaching in two or more schools if you cannot easily determine that the teaching was full-time***. However, you may grant cancellation if one school official certifies a teacher worked full-time for a full academic year.

A borrower who cannot complete the academic year because of illness or pregnancy can still qualify for cancellation if he or she has completed the first half of the academic year and has begun teaching the second half. The borrower's employer must consider the borrower to have fulfilled his or her contract for the academic year.

The cancellation form the borrower files must contain a signature from an official in the school system, certifying the borrower's service.

Low-income school list

Cancellation benefits are granted to teachers in low-income schools, but you must make sure the school where the borrower taught appears on the list of low-income schools published each year by the Department of Education.* The Department compiles this list after consulting with each State's educational agency and sends a copy of the list to all schools that participate in the Perkins/NDSL Program. (For more information on the criteria used to designate schools as low-income, see Section 674.54(b) of the December 1, 1987 campus-based regulations.) The school must be on the Department's list during the academic year in which the borrower taught. Because cancellation conditions differ for Defense, Direct, and Perkins Loans, the same school may qualify under one program but not another for the same academic year.

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*All elementary and secondary schools operated by the Bureau of Indian Affairs (BIA) are considered to meet the low-income family qualification for National Defense, Direct, and Perkins Loan cancellations and are, therefore, not included on this list. Elementary and secondary schools operated on reservations by Indian tribal groups under contract with the BIA are also considered qualified and are not listed.

Defense Loans

Full-time teaching

Ten percent of the loan (principal plus interest) will be cancelled for each complete academic year, or its equivalent, of full-time teaching in a public or other nonprofit elementary or secondary school, in an institution of higher education, or in an overseas Department of Defense elementary or secondary school. (Up to 50 percent of the loan can be cancelled.)

Teaching in low-income schools

Fifteen percent of the loan will be cancelled for each complete academic year, or its equivalent, of full-time teaching in a public or other nonprofit elementary or secondary school with a high concentration of students from low-income families.* (Up to 100 percent of the loan can be cancelled.) Cancellation is available only for teaching service that began with the **1966-67** academic year.

Teaching handicapped children

Fifteen percent of the loan will also be cancelled for each complete year, or its equivalent, of full-time teaching of handicapped children in a public or other nonprofit elementary or secondary school system. (Up to 100 percent of the loan can be cancelled.) A borrower qualifies for cancellation only if the majority of students the borrower teaches are handicapped. Cancellation is available only for teaching service that began with the **1967-68** academic year.

Direct and Perkins Loans

Teaching in low-income schools

Part of the loan will be cancelled for each complete academic year of full-time teaching in a public or other nonprofit elementary or secondary school with a high concentration of students from low-income families.* (Up to 100 percent of the loan will be cancelled after the fifth full year of teaching.)

If the borrower teaches both children and adults, the majority of students must be children for the borrower to qualify for cancellation.

Teaching handicapped children

Up to 100 percent of a loan will be cancelled for full-time teaching of handicapped children in a public or other nonprofit elementary or secondary school system. The majority of students the borrower teaches must be handicapped.

Yearly cancellation rates

Rates of cancellation for teachers in low-income schools and for teachers of the handicapped are **15 percent** for the first and second years, **20 percent** for the third and fourth years, and **30 percent** for the fifth year.

There is no provision for cancelling Direct or Perkins Loans for teaching in postsecondary schools, or for service in elementary or secondary schools, ***other than*** teaching in low-income schools or teaching the handicapped.

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*See the discussion of low-income schools on page 6-27.

MILITARY CANCELLATION

Defense Loans

Up to 50 percent of a loan made after April 13, 1970 will be cancelled for full-time active service in the U.S. Armed Forces that began after June 30, 1970. "Armed Forces" means the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard. The borrower's Commanding Officer must certify when the borrower served. The cancellation rate is 12 1/2 percent of the loan for each complete year of service. Service for less than a complete year (including any fraction of a year beyond a complete year) does not qualify.

Up to 50% of loan made after 4/13/70 for service after 6/30/70

Direct and Perkins Loans

Up to 50 percent of a loan made on or after July 1, 1972 will be cancelled for service in the U.S. Armed Forces in an area of hostilities that qualifies for special pay under Section 310 of Title 37 of the U.S. Code. (The borrower's Commanding Officer must certify when the borrower served.) The cancellation rate is 12 1/2 percent of the loan for each year of qualifying service. As is the case with Defense Loans, service for less than a complete year (including any fraction of a year beyond a complete year) does not qualify.

Up to 50% for service in area of hostilities that qualifies for special pay

HEAD START SERVICE—DIRECT AND PERKINS LOANS ONLY

Part of a Direct or Perkins Loan will be cancelled for each year of service as a full-time staff member in a pre-school program carried out under the Head Start Act (Subchapter B, Chapter 8 of Title VI of Pub. L. 97-35, the Budget Reconciliation Act of 1981, as amended). Up to 100 percent of the loan can be cancelled.

Full-time staff member

Up to 100% cancelled

A "full-time staff member" is someone who is regularly employed in a full-time professional capacity to carry out the educational part of a Head Start program. The program must operate for a full academic year, or its equivalent, and the borrower's salary may not be more than that of a comparable employee working in the local educational agency.

The cancellation rate is 15 percent of the amount of the loan for each complete academic year, or its equivalent, of teaching. The loan will have been cancelled after the seventh year of teaching.

15% cancelled per year

An authorized official of the Head Start Program must sign the borrower's cancellation form, certifying the borrower's service.

VOLUNTEER SERVICE—PERKINS LOANS ONLY

Up to 70% cancelled

Up to 70 percent of a Perkins Loan, plus interest, can be cancelled for service as a Peace Corps or VISTA volunteer. The cancellation rate is **15 percent** for the first and second years and **20 percent** for the third and fourth years.

An authorized official of the Peace Corps or VISTA must sign the borrower's cancellation form, certifying the borrower's service.

DEATH/PERMANENT AND TOTAL DISABILITY—ALL LOANS

Any Defense, Direct, or Perkins Loan loan will be cancelled if the borrower dies or becomes permanently and totally disabled after receiving the loan. Permanent and total disability is the inability to work and earn money because of an impairment that is expected to continue indefinitely or to result in death.

For permanent and total disability, you must decide whether to cancel the loan based on medical evidence (certified by a physician) that the borrower or his or her representative must furnish. This evidence must include statements from all physicians, hospitals, or agencies concerned with the case. In the case of death, you must receive a death certificate or other proof as required under State law.

BANKRUPTCY—ALL LOANS

A loan will be written off for bankruptcy if the school receives an official notice of discharge from a bankruptcy court. (For more information on bankruptcy, see page 6-46.)

POSTPONING REPAYMENTS

12-month postponement for loans qualifying for cancellation

A school may postpone loan repayments for a twelve-month period if the borrower will be providing services that qualify for loan cancellation. The borrower must obtain a postponement form from the lending institution and have it signed by a responsible official of the Peace Corps or VISTA, or of the military agency or school that will employ the borrower. The employer must describe the borrower's duties, list the period of employment, and state whether the job will be full- or part-time.

If a borrower has received more than one type of loan (Defense, Direct, or Perkins), but is not eligible for cancellation benefits on all of them, the school may postpone only the repayments on the loan(s) for which cancellation will be available.

☞ NOTE: A school may not exercise the minimum monthly repayment provisions on a note when the borrower has received a partial cancellation for the period covered by a postponement. (If the school was originally exercising the minimum repayment option, it must cease doing so.) If a borrower has received more than one loan (Defense, Direct, or Perkins), but not all can be cancelled, the amount due on the uncancelled loan(s) is what the student would normally pay.

REIMBURSING AMOUNTS CANCELLED

Defense Loans

The Department of Education will reimburse each school every award year for its share of the principal and interest cancelled for teaching or for military service. Reimbursement is determined as follows:

$$\boxed{\text{Total cancelled principal and interest}} \times \frac{I}{I + F} = \boxed{\text{School's share of cancelled principal and interest}}$$

"**I**" is the school's capital contribution to the NDSL Fund; "**F**" is the Federal Capital Contribution to the Fund.

Reimbursements for amounts cancelled on Defense Loans represent institutional funds and may be used at the school's discretion.

No reimbursement will be made for cancellations due to death, disability, or bankruptcy.

Direct/Perkins Loans

The Department will reimburse each school every award year for the principal and interest cancelled from its student loan funds for teaching, Head Start, military, and volunteer service. The school must deposit this amount in its Fund.

SECTION SIX:
LOAN COLLECTION—DUE DILIGENCE

Due diligence refers to those steps schools must take to collect National Defense/Direct and Perkins Loans, including billing the borrower, sending overdue notices when necessary, and conducting address searches if the borrower cannot be located. If billing procedures fail to get the borrower into repayment, schools must proceed to the second—and more intensive—stage of collection, which includes reporting the account to credit bureaus and possibly hiring a collection firm. Finally, in many cases, schools may have to litigate.

Due diligence comprises all these procedures, but it can also be as basic as keeping the borrower informed of all changes in the Perkins/NDSL Program that affect his or her rights and responsibilities, or responding promptly to the borrower's inquiries.

In fact, sound collection procedures begin with the basics, such as knowing a few preliminary facts—when the borrower is scheduled to graduate and where to contact him or her, for example. Keeping track of a student makes it easier for the school to know when repayment must begin and where to send billing notices.

Keep borrower information current

Keeping the following information current on all its borrowers helps the school know when and where to contact them when repayment is due:

- enrollment status
- expected graduation or termination date
- the date the borrower officially withdraws, drops below half-time enrollment, or is expelled
- current name, address, telephone number, and Social Security Number

The various offices at the school—the admissions, business, alumni, placement, financial aid, and registrar's offices, and others, as necessary—must provide the information listed above about the borrower to those offices responsible for billing and collecting loans.

EXIT INTERVIEW

Contact with the borrower becomes even more important just before he or she leaves school, when the school must hold an exit interview, explaining the borrower's responsibility for repaying the loan and stating what the monthly payments will be. If individual interviews are not possible, group interviews are acceptable.

Must provide certain information

During the interview, borrowers must be told the terms of the loan, the amount of the outstanding balance, and their obligation to repay according to the repayment schedule. The school must also make them aware of the consequences of default, including the possibility that their account may be referred to a collection firm, that the default may be reported to a credit bureau, and that legal action may be taken to collect the amount owed.

Rights and responsibilities

Borrowers must also be told their rights and responsibilities under the loan(s), including—

- their responsibility to inform the school immediately of any change in name, address, telephone number, or Social Security Number.
- their right to defer, postpone, or cancel repayment, and the procedures for filing for each (see Sections Four and Five of this chapter for more information).
- their responsibility to contact the school before the due date of any payment they cannot make.

Additional information

The school must provide the following additional information during the exit interview and must also include it either in the borrower's promissory note or in some other written statement the school gives the borrower:

- the name and address of the school to which the debt is owed and the name and address of the official or servicing agent where communications should be sent
- the name and address of the party where payments should be sent
- the estimated amount the borrower owes on the date the repayment period is scheduled to begin, as well as the amount of the total debt (principal and interest)
- the interest rate, as well as the total interest charges the borrower will pay
- a discussion of the repayment schedule—including the date the first installment is due, and the number, amount, and frequency of required payments

- any special options for loan consolidation or other refinancing
- a statement that the borrower may prepay all or part of the loan without penalty
- a discussion of any fees that will be charged the borrower for not making payments on time
- a description of any charges associated with default, such as liability for collection costs

Borrower must sign repayment schedule

At the time of the exit interview, the borrower must sign the repayment schedule, and the school must give the borrower signed copies of it and of the promissory note. The school must also keep signed copies of both in its own files, as well as the originals.

If the school discovers that a borrower has left without having had an exit interview, the school must either contact the borrower and personally give him or her the information listed above, or mail it. The school must also provide the borrower a copy of the promissory note and two copies of the repayment schedule, one of which the borrower must sign and return to the school.

CONTACT DURING INITIAL AND POST-DEFERMENT GRACE PERIODS

Nine-month initial grace period— 3 contacts

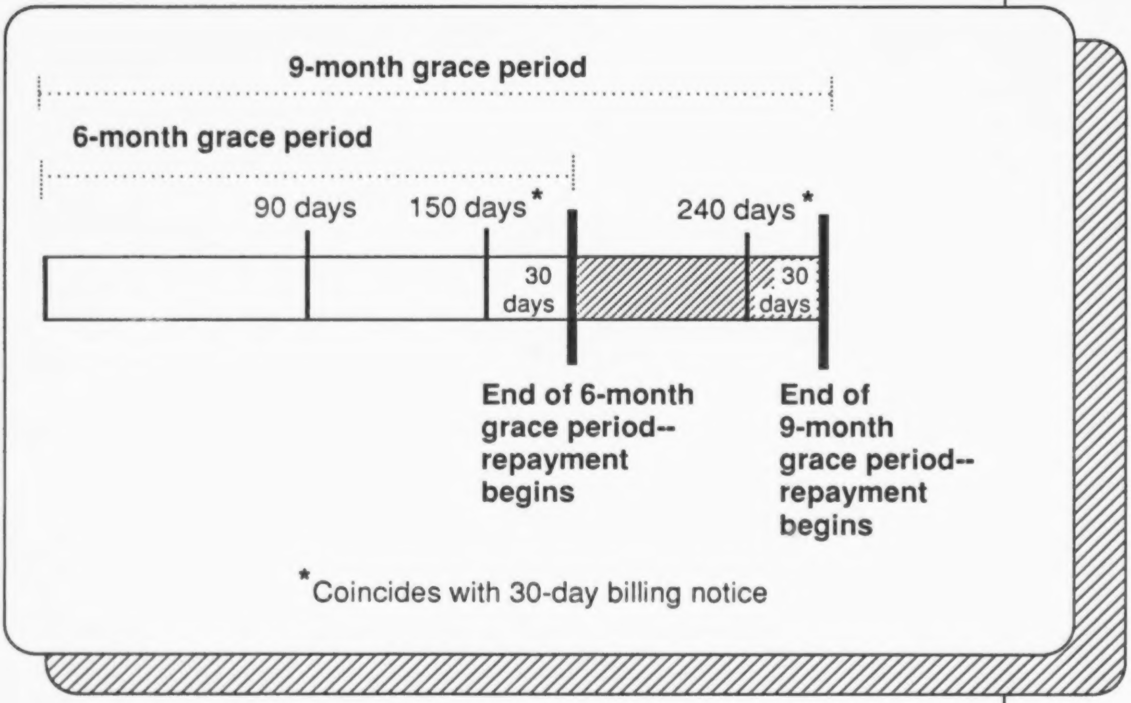
Six-month grace period (initial or post-deferment)— 2 contacts

The school must contact the borrower during both initial and post-deferment grace periods to remind him or her when repayment will begin. For loans with a nine-month initial grace period, the school must contact the borrower three times. (Loans with nine-month grace periods are those made before October 1, 1980 and those made to Perkins Loan borrowers. See the discussion of a Perkins Loan borrower on page 6-14.) For loans with a six-month initial grace period (loans other than those just mentioned), ***and during any six-month post-deferment grace period***, the school must contact the borrower twice.

The **first contact** must be **90 days** after any grace period (initial or post-deferment) begins. The school must remind the borrower of the responsibility to repay the loan and must send the borrower information about the total amount to be repaid (or remaining to be paid, if a payment has been made in the past). This information must include the amount of principal and interest over the remaining life of the loan, and the date and amount of the first payment (or next payment, if a payment has been made previously).

The **second contact** must be **150 days** after any grace period begins, and the school must again remind the borrower of the date and amount of the first (or next) payment. The second contact is timed to coincide with the first billing notice (30 days before the first payment is due. See "BILLING PROCEDURES," page 6-35). These two notices may be combined.

For borrowers with a **nine-month** initial grace period, the school must make a **third contact 240 days** after the grace period begins to again remind the borrower of the date and amount of the first payment. As in the case of a six-month grace period, this notice is timed to coincide with the first billling notice. Again, the school may combine the two notices.


9-month grace period
6-month grace period
90 days
150 days*
240 days*
30 days
30 days
End of 6-month grace period--repayment begins
End of 9-month grace period--repayment begins
*Coincides with 30-day billing notice

BILLING PROCEDURES

Billing refers to that series of actions the school routinely performs to notify borrowers of payments due, remind them of overdue payments, and demand payment of overdue amounts.

The school may choose a coupon payment system as its method of billing. If so, the school must send the coupons to the borrower at least 30 days before the first payment is due.

If the school does not use coupons, it must send the borrower, at least **30 days** before the first payment is due, a statement of account (which includes information such as the total amount borrowed, the interest rate on the loan, and the amount of the monthly payment). The school must also furnish the name and address of the party where payments should be sent. At least **15 days** before the due date of each subsequent payment, the school must again send the borrower a statement of account.

30-day notice before first payment is due

15-day notice before all subsequent payments

Overdue Notices

First notice—within 15 days after due date

If a payment is overdue, the school must send the borrower an **overdue notice** within **15 days** after the due date, assuming the school has not received a request for deferment, postponement, or cancellation.

Charge for overdue payments

The school must impose a charge when the borrower's payment becomes overdue. The school must notify the borrower of the amount of the charge and whether it will be added to the principal amount of the loan as of the first day the payment was due, or whether it must be paid in full by the next payment due date. Schools may wish to include this notice as part of the first overdue notice.

On or after 1/1/86—*late* charge

For loans made for periods of enrollment beginning on or after January 1, 1986, the charge (called a **late** charge) is based either on the actual costs the school incurs in taking steps to obtain the overdue amount, or on average costs incurred in similar attempts with other borrowers. The charge may not exceed 20 percent of the installment payment most recently due.

The school must also impose a charge if the borrower does not file a request for deferment, cancellation, or postponement on time. The request must contain enough information for the school to determine whether the borrower is entitled to what's being requested.

☞ NOTE: These procedures do not apply retroactively, but they would apply to any Direct Loan borrowers who have re-signed revised promissory notes. See page 6-6 for a discussion about issuing new promissory notes based on the 1986 HEA Amendments.)

Late charges may be assessed only during the billing process; they may not be imposed once the school begins collection procedures.

Before 1/1/86—*penalty* charge

For loans made for periods of enrollment that began before January 1, 1986, the charge that must be assessed (called a **penalty** charge) may be assessed **monthly** (the maximum is $1 for the first month and $2 for each additional month a payment is overdue), **bimonthly** (the maximum bimonthly charge is $3), or **quarterly** (the maximum quarterly charge is $6).

☞ NOTE: The school may waive late charges against a borrower who repays the full amount of past-due payments.

Second overdue—within 30 days after first notice

Final demand—within 15 days after 2nd notice

If the borrower does not satisfactorily respond to the first overdue notice, the school must continue to contact him or her. A **second overdue notice** must be sent within **30 days** after the first, and if there is still no response, a **final demand letter** must be sent within **15 days** after the second notice. The final demand letter must inform the borrower that, unless the school receives a payment or a request for deferment, postponement, or cancellation **within 30**

days of the date of the letter, the school will refer the account for collection or litigation and will report the default to a credit bureau (assuming State law permits it).

In certain cases, may send just a final demand

The school may skip the first two letters and send just the final demand letter within 15 days after the payment is overdue if the borrower's repayment history has been unsatisfactory, or if the school can reasonably conclude the borrower does not intend to repay or to seek deferment, postponement, or cancellation. Unsatisfactory repayment history means a borrower has previously failed to make payments when due; to request deferment, postponement, or cancellation on time; or has previously received a final demand letter.

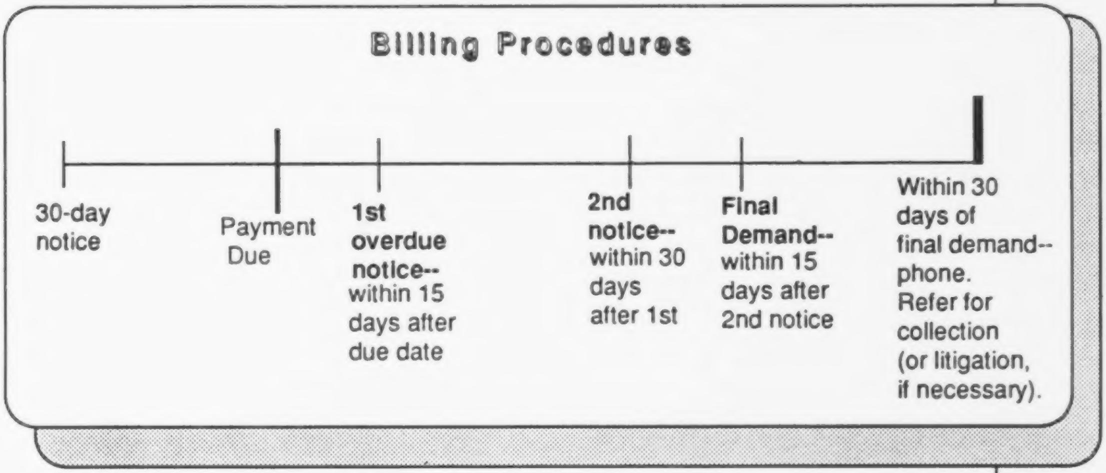
Telephone Contact

Telephone borrower before beginning collection procedures

If the borrower does not respond to the final demand letter within 30 days, the school must try to make contact by telephone before beginning collection procedures. Since telephoning is often very effective in getting the borrower to begin repayment, the school may be able to avoid the more costly procedures of collection.

If schools call a number and there is no answer, at least one other attempt to reach the borrower on a different day and at a different time should be made.

If the borrower has an unlisted telephone number, the school must make reasonable attempts to obtain it by contacting sources such as the borrower's employer or parents. If the school is still unsuccessful, it should document that fact in its files.


Billing Procedures
30-day notice
Payment Due
1st overdue notice-- within 15 days after due date
2nd notice-- within 30 days after 1st
Final Demand-- within 15 days after 2nd notice
Within 30 days of final demand-- phone. Refer for collection (or litigation, if necessary).

Collecting from Endorser

Must also try and recover from endorser

If the borrower does not respond satisfactorily to the final demand letter, the school must try and recover the amount owed **not only from the borrower but from any endorser of the loan.** Often, schools send the endorser a copy of the final demand letter sent to the borrower. From that point, the endorser usually receives all future communications about the borrower's debt, including dunning letters, in an effort to recover the loan from one party or the other.

Acceleration

30 days advance notice

The school may choose to accelerate a loan if the borrower misses a payment or does not file for deferment or cancellation on time. Acceleration means making payable immediately the entire outstanding balance, including interest and any applicable late charges. Because this marks a serious stage of delinquency (afterwards, deferment and cancellation rights lapse, and enforcement action begins), the borrower should have one last chance to bring his or her account current. For that reason, if the school plans to accelerate the loan, it must send the borrower at least 30 days advance written notice. The notice may be included in the final demand letter, or in some other written notice to the borrower. If the loan is accelerated, the school must subsequently send the borrower a second notice, informing him or her of the date the loan was accelerated and the total amount due.

Remember that acceleration is an option, not a requirement.

Address Searches

The school must take the following steps to locate the borrower if communications are returned undelivered (other than unclaimed mail):

- review the records of all appropriate institutional offices
- review telephone directories or check with information operators in the area of the borrower's last known address
- use the Department of Education's skip-tracing service

If these methods are unsuccessful, the school must either use its own personnel to try to locate the borrower (employing and documenting efforts comparable to commercial skip-tracing services) or use a commercial skip-trace firm.

Reasonable attempts at least twice a year

If the school still cannot locate the borrower after taking these steps, it must continue to make reasonable attempts at least twice a year. These efforts may end only if litigation is barred under the applicable statute of limitations, if the school is able to assign the account to the U.S. Department of Education (see page 6-48 for a discussion of assignment), or if the school is able to write off the account. (For information on write-offs, see page 6-44.)

COLLECTION PROCEDURES

Collection procedures are the more intensive efforts the school must make when borrowers have not responded satisfactorily to billing procedures and are considered in default.

The school must take the following steps in the collections process:

Report to credit bureau

- Report the defaulted account to a credit bureau(s), unless State law prohibits it.

  When choosing a bureau(s), the school should consider the location of the majority of students in repayment. Schools can choose a bureau that serves the area(s) where most of its students came from, or can choose one that serves the area(s) where most of its graduates now reside.

Examples

A school in the northeastern United States draws most of its students from the midwest, so it chooses a credit bureau serving that region. However, suppose that most of the students decide to relocate to the northeast after graduation. The school could choose a credit bureau serving the northeastern region instead. The school may select whichever credit bureau it feels would best serve its student population. It could select both, although it is not required to do so.

The XYZ School of Technology was originally located in Florida but was sold to an owner who moved it to Colorado. The majority of the school's accounts would best be served by using a credit bureau covering the appropriate Florida counties, assuming most of its students lived in Florida. However, if the school continues to participate in the Perkins Loan Program, it may eventually want to choose a different credit bureau (or an additional one), since most of its students will likely come from the Colorado area.

  Another factor a school may wish to consider is whether it wants a credit bureau(s) that covers a wider scope (regional or national coverage). It may want to coordinate its defaulted Perkins/NDSL referrals with institutional receivables. Cost versus service is another important factor.

  The school must report any changes in a borrower's account status according to the reporting procedures of the credit bureau(s). The school also must respond promptly to any inquiries it receives from the bureau(s) about the information referred.

- Use its own personnel to collect, or hire a collection firm.

Any funds collected must be deposited into an interest-bearing account (see page 6-42).

Schools has 12 months to convert account—if unsuccessful, litigate, or make a second effort

The school has two options if its personnel or the firm it uses cannot convert the account to regular repayment status by the end of 12 months, (or if the borrower does not qualify for deferment, postponement, or cancellation): The school must either litigate, if possible, or make a second effort to collect. The latter involves the following procedures:

—If the school first attempted to collect by using its own personnel, it must refer the account to a collection firm, unless State law prohibits it.

—If the school first used a collection firm, it must either attempt to collect by using its own personnel, or use a different firm.

—If a different firm cannot place the account into regular repayment status by the end of 12 months (or if the borrower does not qualify for deferment, postponement, or cancellation), the firm must return the account to the school, and the school itself must make another attempt. If by the end of 12 months the school is still unsuccessful, it must then litigate, unless it determines litigation would not be feasible (see page 6-41). If the latter is the case, the school must continue to try and collect from the borrower at least once a year until litigation would be barred under the applicable statute of limitations.

The school must assess all reasonable collection costs against the borrower, without regard to the provisions of State law. Since 1981, many borrowers have received loans under promissory notes that contain a limitation on the amount of costs that can be recovered from the borrower (25 percent of the outstanding principal and interest due on the loan). If these borrowers ask for new advances, however, the Department of Education strongly encourages schools to issue new promissory notes (which would delete this provision) and require the provisions of the new note to apply to repayment of previous advances. The borrower will then be liable for ***all*** collection costs on all Perkins Loans/NDSL's.* (For more information on revising promissory notes, see pages 6-6 to 6-7.)

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* The 1987-88 edition of the *Handbook* stated that schools had the authority to assess all collection costs against the borrower even if a school's promissory notes did not contain language specifically permitting it. This information was based on a pre-publication version of the November 30, 1987 Due Diligence regulations. Just before the regulation was printed (and after the *Handbook* had gone to press), this position was reversed. It was decided that old notes that contained the 25 percent limitation could not be ignored. **Therefore, the 1987-88 *Handbook* language is INCORRECT on this point.** The correct position is stated above.

School determines "reasonable" collection costs

The school determines what collection costs are "reasonable," as long as they are based either on actual costs the school incurs for each borrower, or on average costs incurred in collecting loans in similar stages of delinquency. The school should explain to the borrower how it calculates collection costs. The school is actually giving the borrower the same cost analysis previously used to support charges of these costs to the Perkins Loan Fund. The school must be able to document the basis for the costs assessed.

Portion of collection costs may be waived

☞ NOTE: The school may waive a portion of the collection costs charged the borrower if doing so will give the school greater flexibility in negotiating repayment. Costs may be waived in direct proportion to the amount of the outstanding balance the borrower repays within 30 days of entering a repayment agreement with the school. For example, if the borrower repays one-half the outstanding balance on a loan within 30 days of the agreement, the school may waive one-half of the collection costs incurred through the date of that payment. Payment in full means the full amount of collection costs can be waived. The amount waived may be charged to the Perkins Loan Fund (see page 6-43).

LITIGATION

***Must* sue under certain conditions**

If collection efforts fail, the school must determine—at least once a year until the applicable statute of limitations has expired—if the conditions listed below are met. If so, the school must litigate. The conditions are—

- o the total amount owed (including outstanding principal, interest, collection costs, and late charges) on all the borrower's Perkins Loans/NDSL's at the school is more than $200.
- o the borrower can be located.
- o the borrower either has enough assets attachable under State law to cover a major portion of the debt, or enough income that can be garnished under State law to satisfy a major portion of the debt over a reasonable period of time. Defining "reasonable" is left to the school.
- o the borrower does not have a defense that will bar judgment for the school. If the school determines that the borrower has a partial defense, it must weigh the costs of litigation against the costs of recovery, based on the amount of the enforceable portion of the debt.
- o the expected cost of litigation (including attorneys' fees) does not exceed the amount that can be recovered from the borrower.

***May* sue at any time**

☞ NOTE: Even if all the above conditions are not met, the school may sue if it chooses.

The school must attempt to recover from the borrower all litigation costs, including attorneys' fees, court costs, and other related costs, to the extent permitted by applicable law. The school is also required to try and recover all previous collection costs the borrower has not paid. A percentage of costs the borrower does not pay may be charged to the Fund (see page 6-43).

If the school cannot collect a payment after following all collection procedures (including litigation, if required), it may, with the Secretary's approval, assign the account to the U.S. Department of Education for collection (see page 6-48 for assignment procedures).

FUNDS COLLECTED

Deposit into interest-bearing bank account

The school must deposit any funds collected into an interest-bearing bank account. The account must be insured by an agency of the Federal Government, secured by collateral of reasonably equivalent value, or invested in low-risk income-producing securities, such as obligations issued or guaranteed by the United States.

May deduct service charges

The school may deduct from the interest earned any charges related to maintaining these accounts, such as service charges, and need deposit only the net earnings into the Fund.

COSTS CHARGEABLE TO THE PERKINS LOAN FUND

The following costs must be charged to the borrower: billing (costs associated with due diligence, ***not*** with routine billing), address searches, collection, litigation, the use of contractors (see page 6-44), and bankruptcy litigation. Only the costs discussed below that are ***not recovered from the borrower*** may be charged to the Perkins Loan Fund.

Due diligence activities involving ***fixed costs*** (telephone contacts, credit bureau reporting, and bankruptcy procedures) may be charged to the Fund whether or not the actions are successful. Other activities are typically performed on a ***contingent-fee*** basis: address search, collection, and litigation (other than bankruptcy). The school may charge the costs of these activities to the Fund only if they are successful, since the school incurs no costs if they are not.

Must document costs

For audit purposes, a school must support costs charged to the Fund with appropriate documentation, including telephone bills and receipts from collection firms.

Billing

Telephone calls only

The school may charge the Fund only the costs of telephone calls to the borrower.

Address Searches

A reasonable amount for the costs of each successful search may be charged the Fund—provided the school either used a commercial skip-trace service or its own personnel, employing methods comparable to commercial skip-tracing practices. Defining a "reasonable" amount is left to the school.

Reasonable costs

Credit Bureaus

The school may charge the costs of reporting borrowers to credit bureaus.

Collection

Collection costs the borrower does not pay may be charged to the Fund if they do not exceed—for **first collection efforts—33 1/3 percent** of the total principal, interest, and late charges collected from the borrower and—for **second collection efforts—50 percent** of the principal, interest, and late charges collected.

First efforts—up to 33 1/3% of amount collected; second efforts—up to 50%

If a school handles its own collection efforts, it may charge the Fund for direct and indirect costs properly associated with those efforts. Such costs would cover employee salaries and other related employment costs, including—but not limited to—fringe benefits and a portion of office space and equipment.

Can include salaries and other related employment costs

If a collection firm handles both address search and collection functions for the school, the school may charge the Fund separately for the reasonable costs of both.

The school may also charge to the Fund the amount of any collection costs waived (see page 6-41 for a discussion of such a waiver).

The school must reimburse the Fund for collection costs initially charged the Fund but subsequently paid by the borrower.

Litigation

As mentioned earlier, the school must attempt to charge the borrower for all litigation costs (including attorneys' fees and court costs), to the extent permitted under applicable law. However, the school may charge the Fund the actual costs of bankruptcy litigation, as expressly directed or expressly authorized in Section 674.49 of the Subpart C regulations, published November 30, 1987. The costs of any additional actions the school takes (beyond what is required in Section 674.49) may also be charged to the Fund, as long as those costs plus the costs of the required actions do not exceed one-third of the total amount of the judgment. For litigation cases other than bankruptcy, the school may charge costs not exceeding 50 percent of the amount

Actual costs of bankruptcy litigation—Section 674.49 of Subpart C

All other litigation—not to exceed 50% of judgment

of the judgment. This amount should help finance the school's increased litigation responsibilities under the Subpart C regulations.

If a collection firm handles both collection and litigation for the school, the costs chargeable to the Fund may not exceed, for first collection efforts—33 1/3 percent of the principal, interest, and late charges collected and—for second collection efforts—50 percent of principal, interest, and late charges collected.

Write-offs

Not included as a Fund asset

If the school writes off an account, it no longer includes it as an asset of the Fund. Write-offs are permitted if the total amount owed on the account is $200 or less, and if the school has pursued all billing, address search, and collection procedures. (Since collection includes litigation, schools may not write off accounts until litigation would be barred under the applicable statute of limitations.) "Total amount owed" means outstanding principal, interest, late charges, and collection costs on all the borrower's Perkins Loans/NDSL's at the school.

Write-offs are also permitted if the loan is discharged in bankruptcy (see page 6-46 for a discussion of bankruptcy), ***and*** if the school has exhausted all due diligence efforts to recover the debt from any endorser of the loan.

If the school receives a repayment from the borrower after the loan has been written off, the school must deposit it into the Fund.

USING BILLING AND COLLECTION FIRMS

School ultimately responsible

The school may use a contractor for billing or collection, but the school is still responsible for complying with the Subpart C regulations regarding those activities. For example, the school, not the billing or collection firm, is responsible for deciding whether to sue a borrower in default. The school is also responsible for decisions about cancelling, postponing, or deferring repayment; extending the repayment period; and safeguarding the funds collected.

Billing service and collection firm cannot be jointly owned

A school using a billing service may not use a collection firm that owns, or is owned by, the billing service–or vice versa.

Quarterly activities statement

A school using either a billing or a collection firm must choose one that will issue, at least quarterly, a statement showing the activities for each borrower, such as payments received or changes in the borrower's name, address, telephone number, or Social Security Number, if known.

The firm must also give the school, at least quarterly, a list of charges for skip-tracing activities and telephone calls.

Collection firm may deduct fees before depositing funds; billing service may not

The billing or collection firm must ensure that the funds collected are handled properly. The firm demonstrates this by instructing the borrower either to mail repayment checks to the school directly or to a bank where a lock-box is maintained for the school. Alternatively, the firm may deposit the funds into an institutional trust account maintained in the school's name. If a **collection** firm chooses this last procedure, it may, ***if the school authorizes it***, deduct its fees before depositing the amount collected. A **billing** service may ***not*** deduct its fees from the amount it receives from borrowers.

Fidelity bonds or comparable insurance

Just as schools are required to keep adequate fidelity bond coverage to protect the Government's interest in the Title IV funds they receive, it is appropriate to ensure the same sort of protection from third parties who handle Perkins/NDSL loan funds for the school. Accordingly, both billing and collection firms must maintain fidelity bonds or comparable insurance to protect the accounts they service. Billing services (and ***collection firms not authorized to deduct their fees*** from borrowers' payments) must be bonded or insured in an amount equal to what the school expects to be repaid in a two-month period on the accounts it refers.

Collection firms that deduct fees. . .

Collection firms authorized to deduct their fees from borrowers' payments must be bonded or insured as follows:

Less than $100,000

If the amount the school expects to be repaid in a two-month period is **less than $100,000**, the collection firm must be bonded or insured in one of the following amounts, whichever is ***less***:

- ten times the amount the school expects to be repaid on accounts it refers to the firm during a two-month period, ***or***
- the amount the firm expects to collect in a two-month period on ***all*** accounts it has in its portfolio (not just the school's).

$100,000 or more

If the amount the school expects to be repaid in a two-month period is **$100,000 or more**, the collection firm must be bonded or insured in an amount equal to what the school can reasonably expect to be repaid during that two-month period. ***The bond or insurance must name the school as beneficiary***. (This is not a requirement when the repayments expected in a two-month period are less than $100,000.)

The school must review annually the amount of repayments it expects to receive from billing or collection firms to ensure adequate bond or insurance coverage.

Law firm as collection firm

A school using a law firm to collect must review the firm's bond or its insurance policy to determine whether the firm is protected against employee misappropriation. If the firm's malpractice insurance also covers misappropriation of funds, that policy is considered to provide coverage.

For the best advice on how to proceed when a borrower files for bankruptcy, schools should consult an attorney. The guidelines here and in Section 674.49 of the November 30, 1987 Subpart C regulations cover the basic actions a school must take.

Stop collection efforts outside bankruptcy proceedings

If the school receives notice that a borrower has filed for bankruptcy, it must immediately stop collection efforts (outside the bankruptcy proceeding itself). If the borrower has filed under Chapter 12 or 13 of the Bankruptcy Code, the school must also suspend collection efforts against any endorser.

The school must file a proof of claim in the bankruptcy proceeding unless, in the case of a proceeding under Chapter 7 of the Bankruptcy Code, the notice of meeting of creditors states the borrower has no assets.

Undue hardship cases

Procedures for Cases Filed under Chapters 7, 11, or 12 (Request for Discharge on Grounds of Undue Hardship)

If the loan has been **in repayment for five years or more** (excluding deferment periods), the school may ***not*** oppose a discharge that has been requested on the grounds of undue hardship, because such opposition is not supportable under the law.

If the loan has been **in repayment for less than 5 years**, the school must determine, on the basis of reasonably available information, whether repayment under the current repayment schedule or under any adjusted schedule would impose undue hardship. If this would not be the case, the school must then decide whether the expected costs of opposing the discharge would exceed one-third of the total amount owed on the loan (principal, interest, late charges, and collection costs). If the costs are not prohibitive, the school must oppose the discharge and, if the borrower is in default, seek a judgment for the amount owed. The school may compromise a portion of that amount, if necessary to obtain a judgment.

☞ NOTE: If the borrower does not file a request, the school may seek a determination that the debt is not dischargeable if the conditions described in the preceding paragraph apply.

Adjustment of repayment cases

Procedures for Cases Filed Under Chapter 13 (Adjustment of Repayment)

Under Chapter 13, the borrower is not asking for a discharge, but is requesting an adjustment in repayments. The borrower proposes a repayment plan, which is then ruled on by the bankruptcy court.

The school is not required to respond to a plan proposing the full repayment of the loan, or to a plan that makes no provision for the loan obligation or for general unsecured claims.

If the borrower proposes to repay less than the total amount owed, the school must determine, from its own records and court documents, the amount of the loan dischargeable under the plan. The school does this by subtracting the total payments proposed from the total amount owed.

The school must consider whether a proposed plan meets the requirements of 11 U.S.C. 1325. Two of those requirements are particularly relevant: first, the amount to be paid under the plan must at least equal the amount the school would receive if the debtor had filed under Chapter 7 rather than under Chapter 13. Second, the debtor must use all income not needed to support him/herself and dependents to pay creditors under the plan. The school must also consider whether grounds can be established under 11 U.S.C. 1307 to either dismiss a case or convert it to a Chapter 7 proceeding. Such grounds include a borrower's failure to (1) begin payments under the plan within the required time (usually 30 days from the date the plan is filed), (2) file a proposed plan in a timely manner, or (3) pay required court fees and charges.

School must monitor borrower's compliance

The school must monitor the borrower's compliance with the repayment plan the court confirms. If the school determines the borrower either is not complying or has filed for a hardship discharge under 11 U.S.C. 1328(b), the school must determine—if the loan entered repayment more than five years before the borrower filed for bankruptcy—whether grounds exist under 11 U.S.C. 1307 to convert or dismiss the case, or whether the borrower is entitled to a hardship discharge. The school must move to convert or dismiss the case or must oppose an unsubstantiated hardship discharge request if the costs of these actions, when added to those already incurred, would not exceed one-third of the dischargeable debt.

The school must resume billing and collection if the borrower's case has been dismissed, or if the borrower has received a discharge that did not affect his student loan obligation. (For example, the loan entered repayment within five years after the petition was filed, but the borrower did not secure a determination from the court that repayment would constitute an undue hardship. Or, the loan was not scheduled by the borrower, and the school did not know of the proceeding in time to file a claim. Another example would be if the plans did not address unsecured debts.) However, there are certain qualifications. For more information, see the Subpart C regulations, Section 674.49 (f). In those cases where the school cannot resume billing and collection against the borrower, the school must pursue the endorser.

☞ NOTE: Even if the debt is discharged, if the student wishes to borrow again or receive other Title IV aid, he or she must make satisfactory arrangements to repay the debt and must sign a written repayment agreement incorporating that arrangement.

ASSIGNMENT

The school may assign a defaulted Perkins Loan/NDSL to the U.S. Department of Education if—

Assignment conditions

- the school has not been able to collect despite following due diligence procedures (including litigation, if required),
- the total amount of the account (including outstanding principal, interest, collection costs, and late charges) exceeds $200, and
- the loan has been accelerated.

Loans may be submitted from July 1-February 15

The school may submit loans only during a specified period established by the U.S. Department of Education (usually July 1—February 15 each year).

If the school submits a loan for assignment, it must include the following:

Include Form 553

- an assignment form (Form 553, obtained from the U.S. Department of Education), which includes a written certification by the school that it has complied with all appropriate due diligence provisions

  (If the school's default rate is greater than 7.5 percent as of June 30 of the second year preceding the submission period, the school must also provide ***documentation*** that it has complied with due diligence.)

Other documents required

- the original promissory note, or a certified copy
- a copy of the repayment schedule
- a certified copy of any judgment order entered on the loan
- the complete payment history
- copies of all approved requests for deferment and cancellation
- a copy of the notice the borrower received containing the effective date of acceleration and the total amount due on the loan
- documentation that the school has withdrawn the loan from any firm it employed for address search, billing, collection, or litigation, and documentation that it has notified the firm to stop collection

- copies of all pleadings the school has filed or received on behalf of a borrower who has filed for bankruptcy and whose loan has been determined nondischargeable

Loans not acceptable for assignment

The Department will not accept assignment of a loan if—

- the school has not included the borrower's Social Security Number.
- the borrower has received a discharge in bankruptcy. However, the Department ***will*** accept the assignment if the bankruptcy court has determined that the loan obligation is nondischargeable and has entered a judgment against the borrower, or if a court has entered judgment against the borrower after the discharge order has been entered.
- the school has sued the borrower, unless the judgment has been entered against the borrower and assigned to the Federal Government.
- the loan has been cancelled because the borrower has died or because the borrower has filed for, or been granted, cancellation due to permanent and total disability.

The Department of Education will give the school written notice that it has accepted the assignment. ***By accepting the assignment, the Department acquires all rights, title, and interest in the loan.***

The school must send the Department any payment the borrower may make after the Department has accepted the loan.

Schools must repay Fund for unenforceable portion of assigned loan

Should the Department later determine an assigned loan to be unenforceable because of an act or omission on the part of the school or its agent, the school will have to compensate the Perkins Loan Fund in the amount of the unenforceable portion of the outstanding balance. Once the Fund is reimbursed, the Department transfers all rights to the loan back to the school.

Loan is in default unless borrower makes satisfactory arrangements to repay

A borrower whose loan has been assigned is considered in default for purposes of eligibility for Title IV aid, unless the borrower gives the school proof that he or she has made arrangements to repay the loan. Proof is defined as three consecutive monthly payments to the Department of Education in an amount large enough to ensure repayment of the total debt within three years. Three cancelled checks made out to the Department are acceptable proof.

APPENDIX
REQUIRED PROMISSORY NOTE PROVISIONS

If your school does not use the sample promissory notes published in the December 1, 1987 campus-based regulations, your notes ***must*** contain at least the following provisions or information:

- Interest rate (either 3, 4, or 5 percent—see page 6-1)

  No interest accrues before the repayment period begins, or during deferment and the subsequent grace period. (The exception is that interest does accrue during a hardship deferment.)

- repayment terms (see Section Three, page 6-12 for more information)

  The repayment period may begin earlier than that specified in the note, if the borrower requests it, and may vary because of minimum monthly repayments. (For more information, see "MINIMUM REPAYMENT RATES," page 6-18.)

- The borrower must repay the loan either in equal quarterly, bimonthly, or monthly installments, or in graduated installments if the borrower requests it and the Department of Education approves it.

- Unpaid principal, interest, late charges, and collection costs are cancelled if the borrower dies or becomes permanently disabled after receiving the loan.

- prepayment of loan (the student may prepay at any time without penalty—see page 6-18)

- late charge

  The promissory note must state that the school will assess a late charge if the borrower is late with a payment, or if the borrower does not file a request for cancellation or deferment with the school on time. The request must include sufficient evidence to enable the school to determine whether the borrower qualifies for what is being requested. (For more information on late charges, see page 6-36.)

- The borrower must pay all attorneys' fees and other loan collection costs and charges.

- acceleration of loan—the school may demand immediate repayment of the loan if the borrower misses a payment or does not file deferment or cancellation forms on time (see page 6-38 for more information)

- disclosure of information to credit bureaus

  If the borrower defaults, and if the loan is referred or assigned to the Department of Education, the Department may disclose the default to a credit bureau.

- security and endorsement (a school may require security and endorsement only if the borrower is a minor ***and***, under applicable State law, a note signed by a minor would not create a binding obligation)

- deferment of payments and interest (see Section Four, page 6-21, for a discussion of deferment provisions)

- cancellation provisions (see Section Five, page 6-26 for appropriate cancellation provisions)

- assignment (see page 6-48 for a discussion of assignment)

- list of prior National Direct, National Defense, or Perkins Loans (the borrower must certify the amount of each loan, the date of the loan, and the name of the school where he or she obtained the loan)

- Schedule of Advances (a record of the date and amount of each advance—the borrower must sign this Schedule)

- borrower's signature, permanent address, Social Security Number, and telephone number (the borrower must inform the school if his or her name, address, Social Security Number, or telephone number changes)

- Promissory notes for less-than-half-time borrowers must state when the repayment period begins.

United States
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1988-89

The Federal Student Financial Aid Handbook

Chapter Seven
College Work-Study Program

Prepared by:

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INTRODUCTION

The College Work-Study (CWS) Program gives needy undergraduate and graduate students the chance to work part-time to help meet the costs of postsecondary education. To receive a CWS job, a student must meet all eligibility requirements listed in Chapter Two.

SECTION ONE: DEVELOPING JOBS

Complement academic/ career goals

To the extent practical, a school must provide CWS jobs that will complement each recipient's educational program or career goals. Schools must also make available "equivalent employment" (that is, non-CWS institutional jobs)—to the extent of available funds—to all students who want to work.

On- or off-campus

CWS jobs may be on- or off-campus. Off-campus jobs will normally be in the public interest for private, nonprofit organizations or for Federal, State, or local public agencies. (See page 7-5.) However, a school may use part of its CWS allocation to provide jobs in private, for-profit organizations, for students whose period of enrollment begins on or after July 1, 1987 (see page 7-7).

Assigning a job

In assigning a CWS job, you must consider the student's financial need, the number of hours per week the student can work, the length of the academic program or period of employment, the anticipated wage rate, and the amount of other assistance available to the student. While there is no minimum or maximum award, you should determine the amount for each student based on these factors. Of course, a CWS award, when combined with other sources of financial aid, may not exceed the student's need.

Job description

Each CWS position should have a job description that includes the following:

- name and address of employer (department, public agency, nonprofit organization)

- purpose of job
- duties and responsibilities
- job qualifications
- wage rate or range
- length of employment (beginning and ending dates)
- name of supervisor

The job description has several purposes. It will clearly define for you whether the job qualifies under the CWS Program. It will provide the information needed to explain the position to students and help them select the type of employment closest to their educational or career objectives. A job description will help you, the student, and the supervisor determine the number of hours of work required at the specified wage rate to meet a student's financial need. The description also establishes a written record, for both student and employer, of the job's duties and responsibilities, so there can be no misunderstanding.

EMPLOYMENT CONDITIONS AND LIMITATIONS

The following provisions apply to all work under CWS, whether on- or off-campus.

General Conditions

CWS employment must be governed by employment conditions, including pay, that are reasonable according to the type of work performed, the geographic region, the employee's proficiency, and any applicable Federal, State, or local law.

Minimum Wage

CWS employers must pay students at least the current Federal minimum wage (at the time the *Handbook* was printed, $3.35 per hour).

Displacement of Regular Workers

CWS employment may not displace employees (including those on strike) or impair existing service contracts. You are cautioned against using students in jobs traditionally filled by full-time personnel outside the school. Replacement is interpreted as displacement. The Program's intent is to create new job opportunities.

Religious Involvement

CWS positions must not involve constructing, operating, or maintaining any part of a building used for religious worship or sectarian instruction. In determining whether any CWS employment will violate this restriction, you must consider the purpose of the work rather than the nature of the employing organization. In general, work in a facility serving a partially religious function (for example, a combination dining hall and worship space) cannot be supported under CWS. However, a student could work in a soup kitchen sponsored by a religious order because the work would benefit the public, not the order. (Note that the soup kitchen could be located in the basement of a church, for example, as long as the church does not use the basement for religious functions.) A tutoring program sponsored by a religious order would also be acceptable CWS employment.

Consider purpose of work

Fees or Commissions Prohibited

Neither a school nor an outside employer that has an agreement with the school to hire CWS students may solicit, accept, or permit to be solicited any fee, commission, contribution, or gift as a condition for a student's CWS employment. However, a student may pay union dues if they are a condition of employment, and if similar, non-CWS employees must also pay dues.

Voluntary Services

The Fair Labor Standards Act of 1938, as amended, prohibits employers (including schools) from accepting voluntary services from any paid employee. Any student employed under CWS must be paid for all hours worked.

Academic Credit for Work-Study

The fact that a student may receive academic credit from the work performed does not disqualify the job under CWS. However, there are certain restrictions. If a student must complete an internship or practicum as part of his or her degree requirement and is not paid for doing so, the internship or practicum does not qualify under CWS. If students are normally paid, they may be employed under CWS. A student may not be paid for receiving instruction in a classroom, laboratory, or other academic setting.

☞ NOTE: The fact that a student receives academic credit for a CWS job does not mean he or she should receive any less pay.

Garnishment of CWS Wages

A student's CWS wages may be garnished only to pay any costs of attendance the student owes the school. Schools must oppose any garnishment order they receive for any other type of debt; paying CWS funds in such cases would mean that funds would not be used "solely for educational purposes"—a requirement for Title IV funds.

Since schools may not necessarily be the employers in an off-campus employment arrangement, they must adopt effective procedures to notify off-campus employers that garnishment of CWS wages for any debt other than a cost of attendance is not permissible.

EMPLOYMENT ON CAMPUS

General

Students may be employed in any type of postsecondary institution, including—as of October 17, 1986—a proprietary school. Jobs at all schools must, to the maximum extent practical, be related to the student's educational program or vocational goals.

Proprietary schools

Jobs at proprietary schools ***must*** be on campus and must provide ***student*** services. Such jobs as peer counselor, tutor, or library aide would be appropriate. Work in the financial aid administrator's office or guidance office is permissible, but work in the admissions or recruitment area would not be acceptable, since this employment could involve soliciting potential students, which is not permissible under the law. Maintenance (cleaning dorms) would not be acceptable. Some types of security work are allowed, such as escorting students to their cars at night, or escorting handicapped students, but work as a night watchman is not. In general, work that would primarily benefit the school rather than its students is not permissible. For example, a student at a cosmetology school could not work in the front reception area or in the business office, since those jobs would not provide ***student*** services.

At any private or non-profit school, CWS students may be assigned to assist a professor, if they are doing work the school would normally support under its own employment program. Having a student serve as a research assistant to a professor is appropriate, as long as the work is in line with the professor's official duties and is considered work for the school itself. A student may not work as an assistant to a professor on a field trip abroad. A student may not assist an instructor in a proprietary school.

Employment with a School's Contractors

Work for the school itself also includes certain services the school may contract for: food service, cleaning, maintenance, or security. (For proprietary schools, only certain types of security work are permissible—see above.) Work for a school's contractors is acceptable as long as the contract specifies the number of students to be employed and specifies that the school selects the students and determines their pay rates.

Employment in Profitmaking Activities

CWS employment may include work connected with a school's non-related profitmaking activities. Such activities include the operation or rental of athletic fields, auditoriums, theaters, or parking lots. For example, if the school leases a facility to a private sports club or organization, the jobs created as a result would qualify as CWS positions.

Employment in an Overseas Branch

Normally, employment in a foreign country is not permissible under the law. However, a school with a branch campus in a foreign country may employ students under CWS if the branch has its own facilities, administrative staff, and faculty. Students may also be employed by a U.S. Government facility such as an embassy or a military base.

A student may not be employed for a nonprofit organization in a foreign country.

EMPLOYMENT OFF CAMPUS

Work in the Public Interest

If a student is employed by a Federal, State, or local public agency, or by a private nonprofit organization, the work performed must be in the public interest. Although providing jobs related to the student's academic or vocational goals is encouraged, it is not required.

National or community welfare

Work in the public interest is performed for the national or community welfare, rather than for a particular interest or group. For example, work is ***not*** in the public interest if it benefits primarily a limited membership organization such as a credit union, a fraternal or religious order, or a cooperative. However, schools must consider the nature of the work as well as the organization. A student may be employed by a private nonprofit civic club if the student is involved in a community drive to aid handicapped children. If the student's work is confined to the internal interests of the club, such as a campaign for membership, the work would benefit a particular group and would not be in the public interest.

A student may work for a private nonprofit membership organization, such as a golf club or swimming pool, if the general public may use the organization's facilities on the same basis as its members. If only members may use the facilities, CWS employment is not permissible.

Political Activity

CWS jobs may not involve working for an elected official as a political aide. Students could not represent a member of Congress on a comittee, for example. However, a student could be assigned to the staff of a standing committee of a legislative body or could work on a special committee (such as the Iran/Contra committee), as long as the student would be selected on a nonpartisan basis and the work performed would be nonpartisan.

Election-related activities not permissible

Do not confuse the requirement that the student's work be nonpartisan with what Section 675.22 (b)(5) of the campus-based regulations states about work not involving any "nonpartisan political activity." The latter is defined primarily as work related to an election. For example, students could not work at voting polls—even if they only checked off the names of those who came to vote and did not pass out flyers supporting a particular candidate. Also, students could not work to support an independent candidate. Another example of nonpartisan political activity would be work for a city that might be sponsoring political debates. No political activity, whether nonpartisan or not, is acceptable for a CWS job.

Can work for elected official responsible for regular administration of government

Having said that, it ***is*** acceptable for students to work for an elected official responsible for the **regular administration** of Federal, State, or local government, as long as the student's political support or party affiliation is not taken into account. "Regular administration" means the official is directly responsible for administering a particular function. Such a person would not create, abolish or fund any programs, but would run them. Working for a sheriff would be acceptable, as would working for an elected judge (he or she has direct responsibility for the judicial system). As stated above, any ***political*** activity would not be acceptable—raising funds for the official's re-election, for example.

Lobbying not permissible

Positions that involve lobbying at the Federal, State, or local level or working for the U.S. Department of Education are prohibited.

Federal, State, or Local Public Agencies

The statutory requirement that the Federal share of student compensation not exceed 80 percent for 1988-89 (see page 7-14) does not affect Federal agencies that want to enter into an off-campus CWS job agreement. They may provide the required share of student compensation normally paid by off-campus agencies, plus any other allowable employer costs agreed upon (see pages 7-7 to 7-8). However, as mentioned above, because of a potential conflict of interest, employment with the U.S. Department of Education or any of its contractors is prohibited.

Local public agencies include city or county governmental offices, public schools, community-owned hospitals, public libraries, and community centers.

Private Nonprofit Organizations

Tax-exempt

Nonprofit means that no part of the net earnings of an agency may benefit any private shareholder or individual. An organization must be incorporated as nonprofit under Federal or State law. A school classified as a tax-exempt organization by either the Federal or State Internal Revenue Service meets this requirement. Examples of private nonprofit organizations include hospitals, private schools, day care centers, halfway houses, crisis centers, and summer camps.

Private Sector Employment

For periods of enrollment beginning on or after July 1, 1987, schools may enter into agreements with private, for-profit companies to provide academically relevant jobs for students. (A student studying for a Business Administration degree could work in a bank, for example. A nursing student could not make sandwiches in a fast-food establishment, however, since that job would not be relevant to his or her studies.) Remember that an organization may not hire a CWS employee in place of a regular employee.

Up to 25% of CWS allocation

The school is limited to using 25 percent of its CWS allocation for private sector employment.

Federal share limited to 60%

For 1988-89, the Federal share of wages for these students is limited to 60 percent; the employing organization must contribute the remaining 40 percent, plus employer taxes (such as FICA, unemployment, and Workers' Compensation.)

For 1989-90, the Federal share of wages will be limited to 55 percent and, for 1990-91 and subsequent years, it will be limited to 50 percent.

Off-Campus Agreements

Professional direction and staff

A school enters into an agreement—a contract—with any off-campus agency or company that employs CWS students. The school must make sure the organization is a reliable agency with professional direction and staff, and that the work to be performed is adequately supervised and consistent with the purpose of the CWS Program. (See Appendix B of the December 1, 1987 campus-based regulations for a model off-campus agreement. The sample need not be followed exactly but serves as a guide.)

Who is employer?

The agreement sets forth the CWS work conditions and establishes whether the school or the agency/company will be the employer for such purposes as hiring, firing, or paying the non-Federal share of the student's earnings or the student's Social Security and Workers' Compensation benefits. (Remember that a for-profit company ***must*** pay the non-Federal share of the student's earnings.) The employer is considered to be the organization that will control the CWS students—supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly. However, the school is ultimately responsible for making sure payment for work performed is properly documented, and that each student's work is properly supervised.

Responsibility for on-the-job injuries

The agreement must also state which organization will be responsible for any injuries the student receives on the job—the **employer** is ***not*** automatically liable. Federal funds cannot be used to pay an injured student's hospital expenses.

Payroll responsibility

The agreement should also define whether the agency/company will assume payroll responsibility and bill the school for compensation, or whether the school will pay the students and bill the agency/company for its contribution. Keep in mind your school must make up any payments the agency/company does not make. Even if the agency/company does the payroll, the school must still keep copies of time sheets and payroll vouchers (and verify both), and keep evidence that the students were actually paid (usually a copy of the cancelled check or a receipt signed by the student).

Supervising and Evaluating Off-Campus Employment

School officials should periodically visit each organization with which they have an off-campus agreement to determine whether students are doing appropriate work and whether the terms of the agreement are being fulfilled. Faculty or staff members or other personnel whom the school has designated as its agents may make the visits.

In determining whether to continue an off-campus agreement, many schools have found it helpful to require that students submit a formal evaluation of their work experience at the end of the assignment. The school can also use the evaluation to help off-campus agencies improve their work programs.

Staff members of the off-campus organization must become acquainted with a school's financial aid and student employment programs to better understand the school's educational objectives. The school is responsible for supplying this information.

SECTION TWO: PAYING STUDENTS

BASIS FOR PAYMENT

Undergraduates—hourly; graduates—hourly or salary

Undergraduate students are paid CWS wages on an hourly basis only. Graduate students may be paid by the hour or may be paid a salary. Regardless of who employs the student, the school is responsible for making sure the student is paid for work performed.

Determining work schedule

You should determine the number of hours a student is allowed to work based on the student's financial need and on how the combination of work and study hours will affect the student's health and academic progress. There are no statutory or regulatory limits on the number of hours per week or per payment period a student can work, provided no overaward occurs. (See Chapter Five, page 5-12 for information on overawards.)

ESTABLISHING WAGE RATES

A student must be paid at least the current Federal minimum wage (at the time the *Handbook* went to press, $3.35 per hour), but there is no maximum wage rate. In determining an appropriate rate, you must consider the following:

- the skills needed to perform the job
- how much persons with those skills are paid in the local area for doing the same type of job
- rates the school would normally pay similar non-CWS employees
- any applicable Federal, State, or local laws that require a specific wage rate

You may not count fringe benefits as part of the wage rate.

☞ NOTE: A student's need places a limit on the total CWS earnings permissible but has no bearing on his or her wage rate. It is not acceptable to base the wage rate on need or on any other factor not related to the student's skills.

Skill level

If a student's skill level depends on his or her academic advancement, you may pay a student on that basis. For example, a junior or third-year lab student may be paid a higher rate than a sophomore or second-year lab student. Generally, students performing comparable jobs should be paid comparable wages, whether the jobs are performed by students at different class levels or by a student and a regular employee.

DISBURSEMENT

At least monthly

Students must be paid the Federal share of CWS compensation at least once a month by check or similar method (a draft or purchase order, for example) that students can cash on their own endorsement. The school may not credit this share to a student's account, nor may it obtain a student's power of attorney to authorize any disbursement of funds unless the Department has granted prior approval.

If the school pays its share of CWS wages by **check**, it must pay the student at the same time it pays the Federal share. (See Section Five, page 7-14 for a discussion of Federal and institutional shares of CWS compensation.) CWS wages are earned when the student performs the work. A school may pay the student after the last day of attendance for CWS wages earned while the student was still in school.

☞ NOTE: A correspondence student must submit the first completed lesson before receiving payment.

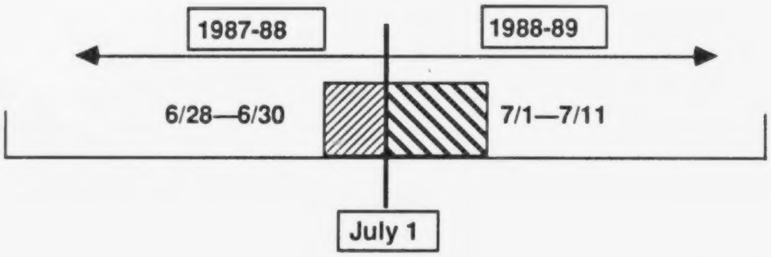
Non-cash contribution

If the school pays its share of CWS wages for an award year in the form of a **non-cash contribution** (tuition, fees, services, or equipment), it must do so before the final payroll period of the award year. If the school pays this share in the form of ***prepaid*** tuition, fees, or other services, it must give students—again, before the end of the final payroll period—a statement of the amount of the non-cash contribution earned. (For more information on non-cash contributions, see page 7-15.)

Payment period crosses award years

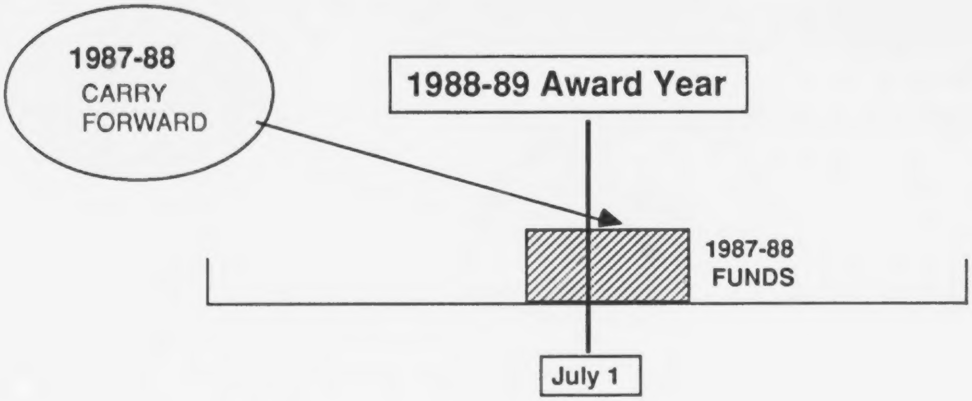
A student whose payment period crosses award years—June 28, 1988 through July 11, 1988, for example—must be paid from the school's 1987-88 CWS funds for work from June 28 through June 30, and from the school's 1988-89 CWS funds for work from July 1 through the end of the payment period. The school must prepare two payrolls: one through June 30 and the other beginning July 1.

1988-89 Award Year

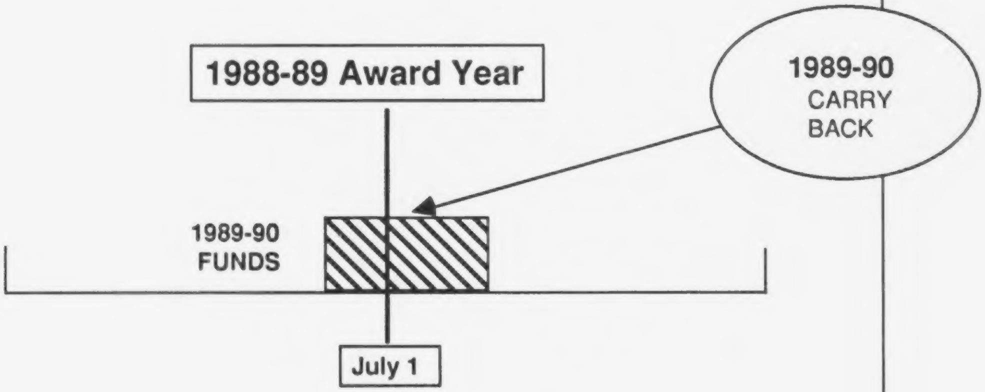


Exception—carry forward/carry back

The exception to this rule occurs when a school carries forward or back CWS funds to pay wages. (See page 7-16 for a discussion of carry forward/carry back.) For example, if a school is paying wages for work performed during award year 1988-89 and the school carried funds forward from 1987-88 to pay those wages, the school charges its expenditures to award year 1987-88.


1987-88
CARRY
FORWARD
1988-89 Award Year
1987-88
FUNDS
July 1

If the school carries back funds from 1989-90, the expenditures are charged to award year 1989-90.


1988-89 Award Year
1989-90
CARRY
BACK
1989-90
FUNDS
July 1

Paying students from the correct award year is important; schools have been held liable when students were paid from the wrong CWS authorization.

For audit and program review purposes, the school must have cancelled checks in its files to show that students received payment in the amount charged to the CWS Program.

Payroll Records

The school may use any payroll period it chooses, provided students are paid at least monthly. It is a good idea to have the CWS payroll correspond to other, similar payrolls at the school.

Identifiable CWS payroll

For reporting and control purposes, the CWS payroll should be distinguishable from other institutional expenditures. CWS compensation should either be entered on a separate voucher or, if listed on the general payroll voucher, should be grouped separately from other expenditures. If payrolls are handled on automatic data processing equipment, a special code for CWS payments should be used.

Voucher contents

Payroll vouchers must support all payroll disbursements and should provide space for the following information—

- school's name and address
- starting and ending dates of the payroll period
- student's name
- identification of the student's job
- number of hours worked during the pay period
- hourly rate of pay
- gross earnings
- compensation withheld for Federal, State, county, or city taxes, and other deductions
- non-cash payments
- net earnings
- check number, duplicate receipt, or other payment identification.

SECTION THREE:
EMPLOYMENT DURING PERIODS OF NON-ENROLLMENT

Students may be employed under CWS during a period of non-enrollment, such as a summer or equivalent vacation period or the full-time work period of a cooperative education student.

Student must enroll or re-enroll for next regular session

To be eligible for this employment, a student must be planning to enroll (or to re-enroll) for the next regular session. The school must keep a written record in its files showing the student has been accepted for enrollment in the upcoming session.

Study abroad

☞ NOTE: A student studying in an eligible program of study abroad is considered accepted for the subsequent term. Students may be employed during the summer preceding their study abroad if they will be continuously enrolled in their American school while abroad, and if their study is part of the American school's own program. In such cases, students may be employed in qualified positions in the U.S., at the American school's branch campus located in a foreign country, at a U.S. Government facility abroad, or in an American company abroad.

SECTION FOUR:
EARNINGS APPLIED TO COST OF ATTENDANCE

Subtract taxes and job-related costs

To determine what portion of a student's CWS earnings is applied to his or her cost of attendance, you will need to project the student's gross earnings for the award period and subtract an estimate of taxes and job-related costs. You are encouraged to tell students what amount of earnings will be counted toward their cost of attendance. Of course, at the end of the student's employment, you will need to review your estimates to see if they were accurate and make adjustments if they were not.

Examples of job-related costs include uniforms, the cost of meals at work, and transportation to and from work. During vacation periods, room and board may also be considered job-related costs if the student is paying them only because he or she has a CWS job.

If the student works during a period of non-enrollment, you apply his or her net CWS earnings against the cost of attendance for the ***next*** enrollment period.

SECTION FIVE: USE OF CWS FUNDS

FEDERAL SHARE LIMITATION

1988-89—generally limited to 80%

For 1988-89, the Federal share of CWS compensation will—in most cases—be limited to 80 percent.* However, there are three exceptions:

100%—Historically Black Colleges et al.

- The Department may approve a Federal share of **100 percent** if a school has been designated eligible under the Strengthening Institutions Program, the Strengthening Historically Black Colleges and Universities Program, or the Strengthening Historically Black Graduate Institutions Program. A school in one of these categories must request a waiver by checking the appropriate box on the FISAP.

90%—CSL

- The Federal share will be **90 percent** for students working in Community Service Learning jobs (see page 7-21).

60%—for-profit employment

- The Federal share may not exceed **60 percent** for students employed off-campus by for-profit organizations (see page 7-7).

The Federal share may ***not*** include fringe benefits such as sick leave, vacation pay, and holiday pay, or employer's contributions to Social Security, Workers' Compensation, retirement, or any other welfare or insurance program.

A school may set a Federal share lower than 80 percent, if it chooses. For example, if a school has a large demand for College Work-Study jobs from its various departments, it may stretch Federal dollars by contributing more than the usual 20 percent.

INSTITUTIONAL SHARE

1988-89—at least 20%

A school may use any resource available to pay its share of CWS compensation (which, for 1988-89, is at least 20 percent) except funds allocated under the CWS Program. The school's share may come from its own funds, from outside funds (such as from an off-campus agency), or from both. It may also be in non-cash form (see page7-15).

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*For 1989-90, the Federal share will generally be limited to 75 percent and, for 1990-91 and subsequent years, to 70 percent.

Costs off-campus agency may pay

Any agreement a school may have with an off-campus agency (see page 7-7) should specify what share of student compensation and what other costs the agency will pay. The agreement may require the agency to pay—

- the non-Federal share of student earnings.
- required employer costs, such as the employer's share of Social Security or Workers' Compensation.
- the school's administrative costs not already paid from the its administrative cost allowance.

Excess funds from off-campus agency

If a school receives more money under an employment agreement with an off-campus agency than the sum of (1) required employer costs, (2) the school's non-Federal share, and (3) any share of administrative costs the employer agreed to pay, the school must handle the excess in one of three ways:

- Use it to reduce the Federal share on a dollar-for-dollar basis.
- Hold it in trust for off-campus employment the next award year.
- Refund it to the off-campus employer.

Funds from programs sponsored by Federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the institutional share, as long as the programs have the authority to pay student wages. Schools should contact the appropriate Federal agency to see if it does have this authority.

Non-Cash Institutional Share

Services or equipment

The school may pay its share of CWS compensation in the form of services or equipment—for example, tuition and fees, room and board, and books and supplies. The school must document all amounts claimed as non-cash contributions. Non-cash compensation may not include forgiveness of a charge assessed against a student solely because of his or her employment under CWS. For example, if a student has a cafeteria job and is required to buy a uniform and a hair net, the student would have to pay for these items—a school could not "forgive" these costs, that is, make them part of the school's non-cash contribution.

As discussed earlier, with two exceptions, the Federal share of CWS wages currently cannot exceed 80 percent. If the school's non-cash contribution is less than the remaining 20 percent, the school must make up the difference in cash.

If the school's non-cash contribution in a given pay period exceeds 20 percent of a student's earnings in that period, the excess may be divided among the subsequent checks for that award period. For example, the school may decide to use tuition cancellation as its non-cash contribution. Suppose the CWS job is $750 for the year. The school's share (20 percent) would be $150 for the year. If the school chose to cancel $150 from the student's first semester tuition, it could apply 20 percent of that amount ($30) to the first paycheck. A balance of $120 would be available to be applied to succeeding checks. Twenty percent of the second paycheck would be $24, leaving a balance of $96, and so on.

ADDITIONAL ADMINISTRATIVE EXPENSES

CSL Program—10% ACL

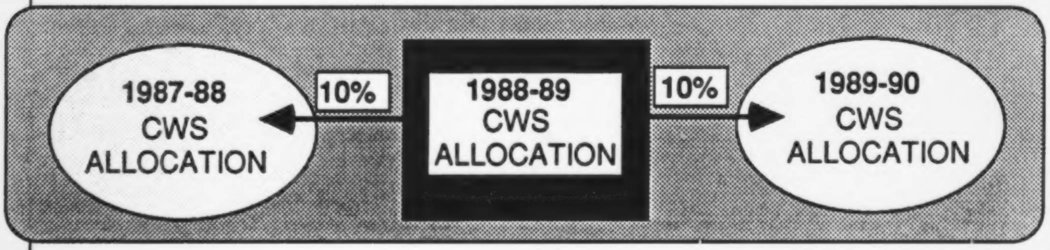
In addition to the administrative cost allowance described in Chapter Five, Section Six, page 5-16, schools are entitled to receive an administrative cost allowance for expenses associated with establishing and operating a Community Service Learning (CSL) Program. (For more information on this Program, see page 7-21.) The allowance is 10 percent of the Federal and institutional share of CWS wages paid to students employed under CSL.

Schools do not include compensation paid to students under the CSL Program when determining their general administrative cost allowance for the Title IV programs.

CARRY FORWARD/CARRY BACK

A school may spend up to 10 percent of its current year's CWS allocation (initial and supplemental) in the **following** award year (carry forward). If the school intends to do this, it must indicate it on the FISAP.

A school is also permitted to spend up to 10 percent of its current year's CWS allocation (initial and supplemental) for expenses incurred in the **previous** award year. The official allocation letter for a specific award period is the school's authority to exercise this option.



☞ NOTE: Before a school may spend its current year allocation, it must spend any funds carried forward from the previous year.

The school can apply amounts carried forward or back toward the Federal share of CWS wages or toward the cost of a Job Location and Development Program (see below). It can also apply these amounts toward its administrative cost allowance. A school is permitted to transfer amounts carried forward or back to the SEOG Program as well.

TRANSFERRING FUNDS TO THE SEOG PROGRAM

10% maximum

A school may transfer up to 10 percent of its current CWS allocation (initial and supplemental) to its SEOG Program. The Department of Education's permission is not required. The transfer also applies to amounts carried forward and back.

A school must report any transfer of CWS funds on its CWS Fiscal Operations Report and must return to the CWS account any funds transferred to SEOG that were not used by the end of the award year.

SECTION SIX: JOB LOCATION AND DEVELOPMENT (JLD) PROGRAMS

Schools can develop off-campus jobs for students under two types of job location and development programs: a "regular" JLD Program and a Community Service Learning JLD Program (see page 7-19).

REGULAR JLD

Up to 10% (or $30,000 maximum) of CWS allocation

Students need not be CWS-eligible

Schools can use up to 10 percent of their CWS allocation—or a maximum of $30,000, whichever is less—to locate part-time, off-campus jobs for students, **regardless of their need** (unlike regular CWS jobs). Another difference between JLD and CWS jobs is that students employed as a result of the JLD Program are ***not*** required to meet regular student eligibility criteria, such as citizenship or satisfactory progress.

Allowable Costs

For 1988-89, the Federal 10 percent/$30,000 maximum may be used to pay up to 80 percent of allowable costs. These include—

- staff salaries (and fringe benefits, if they are the same as those paid to other institutional employees in comparable positions and are not paid to a student employed through the CWS Program).

- travel expenses related to JLD activities only.
- printing and mailing costs for brochures about the JLD Program.
- JLD telephone charges, including installation of a separate line for off-campus employers.
- JLD costs for supplies, equipment, and furniture.
- newspaper or other types of advertising that inform potential employers of the services JLD offers.
- JLD workshops for students and employers.

Costs not allowed

Costs related to purchasing, constructing, or altering the facilities that house a JLD project are not allowable, nor are indirect administrative costs. One example of an indirect administrative cost is a portion of the salary of someone who is not directly involved in the Program—the JLD Director's supervisor, for example.

The school must provide the remaining 20 percent of allowable costs, either in cash or in services. This requirement, unlike the 20 percent requirement under CWS, cannot be waived. The school must maintain records that indicate the amount and sources of its matching share.

Participating in JLD

Provisions of Program Participation Agreement

A school that wants to participate in the Program checks the appropriate box on its Program Participation Agreement when it first applies for CWS funds. If a school does not decide until later that it wants to participate, it should send a request to—

U.S. Department of Education
Division of Eligibility and Certification
Institution and Lender Certification Branch
Room 3923 ROB-3
400 Maryland Avenue, S.W.
Washington, D.C. 20202

The school will receive a photocopy of its original Program Participation Agreement, initialed by a member of the DEC staff, authorizing the school's participation.

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The Program Participation Agreement must provide assurances that—

- the school will not develop jobs on-campus.
- the Program will be used for jobs while students are in school and between periods of enrollment, but not for job placement upon graduation.
- the Program will not displace employees or impair existing service contracts.
- total student wages are expected to exceed the amount of Federal funds spent on the Program.
- if the school uses Federal funds to contract with an organization to administer the Program (see below), suitable performance standards will be part of that contract.
- the school will submit to the Department of Education an annual report on the use of JLD funds and an evaluation of the Program's effectiveness. This requirement is satisfied simply by reporting wages earned under Section G of the CWS Fiscal Operations Report.

Procedures and records requirements for JLD are the same as those for all campus-based programs (see Chapter Five, Section Five, page 5-14).

Agreement with Other Schools/Organizations

A school may operate a JLD Program by itself or may enter into a written agreement with other eligible schools to establish a Program.

The written agreement must designate the administrator of the JLD Program and must specify the Program's terms, conditions, and performance standards.

☞ NOTE: In the past, the Program's administrator had to arrange for an audit. Beginning with the 1988-89 award year, this is no longer a requirement.

Each school that is part of the agreement is responsible for properly disbursing and accounting for its Federal funds.

COMMUNITY SERVICE LEARNING (CSL) JOB LOCATION AND DEVELOPMENT PROGRAM

Up to 10% (or $20,000 maximum) of CWS allocation

A school may use up to 10 percent of its CWS allocation or a maximum of $20,000, whichever is less, to help locate and develop CSL jobs for students. The school may use this allotment itself or in conjunction with other eligible schools. The school consults with local non-profit, governmental, educational, and community-based organizations to locate and develop appropriate CSL jobs.

☞ NOTE: CSL JLD jobs must meet CWS eligibility requirements (unlike "regular" JLD jobs—see page 7-17).

Community services

"Community services" are those the school has identified by working with the local organizations mentioned above. CSL JLD jobs are designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to the needs of community residents. Appropriate jobs are those in fields such as health care, child care, literacy, and housing and neighborhood improvement.

The provisions for allowable costs in a CSL JLD are the same as those for the regular JLD Program except, of course, that the maximum Federal share used to pay up to 80 percent of allowable costs is, for CSL, 10 percent or **$20,000**, not $30,000.

As is true for the regular JLD Program, a school must have a Program Participation Agreement to participate in a CSL JLD Program. (The provisions of the agreement are the same as those discussed earlier in the regular JLD section [see page 7-18], with one exception: **the assurance that the school will not locate and develop on-campus jobs does not apply to a CSL JLD**.)

Schools participating in the CSL JLD Program may enter into an agreement to operate a program with other eligible schools, as is true for regular JLD participants, or **with a nonprofit organization**, which is true ***only*** for CSL JLD.

If the Department of Education terminates or suspends a school's eligibility to participate in the CWS Program, that action also applies to a JLD Program or CSL JLD Program.

SECTION SEVEN: COMMUNITY SERVICE LEARNING PROGRAM*

A school may use part of its CWS allocation to employ students in a Community Service Learning (CSL) Program designed to develop, improve, or expand tangible community services for low-income persons, or to solve particular problems related to their needs. Jobs (and students) must meet CWS eligibility requirements and should, to the maximum extent practical, offer students work/learning opportunities related to their educational or career goals.

Low-income individual

A "low-income" individual is one from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using poverty criteria established by the Census Bureau.

"Community services" are direct services, planning, or applied research activities. They can include activities related to health care, education, welfare, public safety, transportation, and recreation.

Federal match—90%

A Federal match of **90 percent** can be made for up to 10 percent of a school's CWS allocation. Any CWS funds used in excess of 10 percent of the allocation must be matched at the normal Federal share.

10% ACL

A school may also use up to 10 percent of its CWS allocation as an administrative cost allowance for the CSL Program. Some examples of appropriate uses for this allowance are—

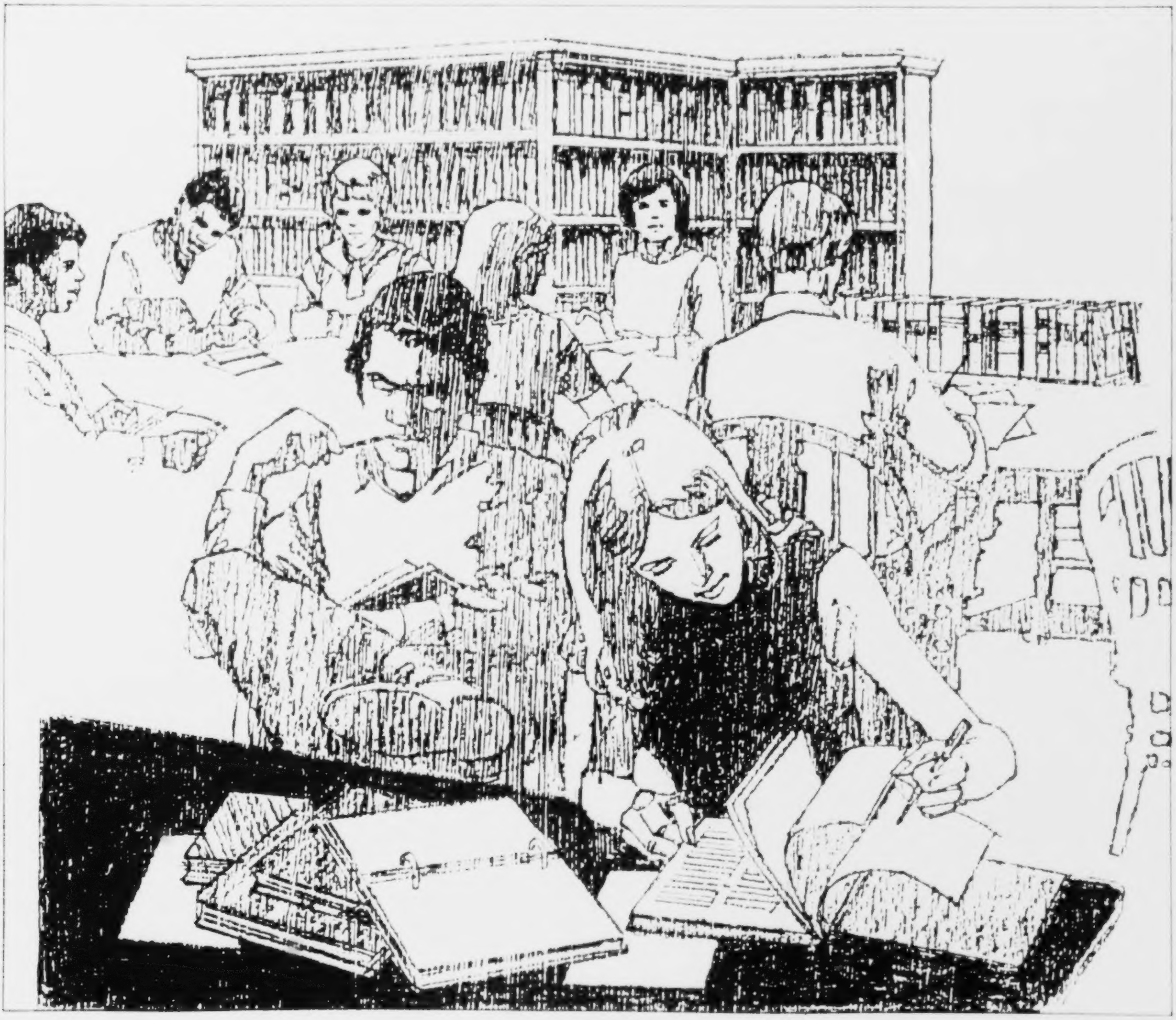
- developing methods to assure the academic quality of a student's experience
- ensuring student access to educational resources, expertise, and supervision
- collaborating with public and private nonprofit agencies to plan and administer the CSL Program.

---

*Schools do not have to develop CSL Program jobs exclusively through the CSL JLD Program—they may do so under the "regular" JLD Program as well. The CSL JLD Program is concerned with community services in general; CSL Program jobs are particularly concerned with aiding low-income individuals.

The Federal Student Financial Aid Handbook

Chapter Eight
Supplemental Educational Opportunity Grant Program



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INTRODUCTION

The Supplemental Educational Opportunity Grant (SEOG) Program provides grants to undergraduate students who have not received a bachelor's degree. To receive an SEOG, a student must meet all eligibility requirements listed in Chapter Two. In selecting among eligible students for an award year, you must first choose those students with the lowest Family Contributions who will also receive Pell Grants in that year. If you have SEOG funds remaining, you must next choose students with the lowest Family Contributions who will not receive Pell Grants.

SEOG awards range from $100 to $4,000 per academic year. Awards for less than an academic year must be reduced proportionately.

Awards—
$100 to $400

SECTION ONE
DISBURSING FUNDS

You may either disburse SEOG awards directly to students or credit their accounts. You may not disburse funds for a payment period until the student registers for that period. (Correspondence students must submit their first completed lessons before receiving funds.) You may **directly pay** the registered student no more than **10 days** before the first day of classes of a payment period. You may **credit the student's account** no more than **3 weeks** before the first day of classes of a payment period. (This is also true for the Perkins Loan Program. Please see Chapter Six, page 6-10 for more information.)

Standard term schools— once a pay period

If you are awarding an SEOG for a full academic year and your school uses standard academic terms, you must advance a portion of the grant during

Non-standard term schools—twice during an academic year

each payment period. (Generally, you divide the total SEOG award by the number of payment periods the student will attend.*) Payment periods are defined as semesters, trimesters, or quarters. If your school does not use standard academic terms, you must advance funds at least twice during the academic year—once at the beginning and once at the midpoint.* Normally, no more than half the award may be advanced before the midpoint. If the student attends less than an academic year, divide the award by the number of payment periods the student will attend during the academic year.

You may advance funds ***within*** a payment period in whatever installments you determine will best meet the student's needs.

Only one advance is necessary if the total amount awarded a student under the SEOG and Perkins/National Direct Student Loan programs is less than $501.

☞ NOTE: A six-month training program that prepares students for employment in a recognized occupation equals a full academic year for disbursement purposes. A six-month program is one that is 600 clock hours, 16 semester hours, or 24 quarter hours.

SECTION TWO: TRANSFERRING FUNDS

Up to 10% to CWS

A school may transfer up to 10 percent of its SEOG allocation for an award year (initial and supplemental) to the College Work-Study Program. The Department of Education's permission is not required.

A school must report any transfer of SEOG funds on its SEOG Fiscal Operations Report and must return to the SEOG account any funds transferred to CWS that were not spent by the end of the award year.

---

*As is true for the Perkins Loan Program, if the student incurs uneven costs during the year and needs extra funds in a particular payment period, you may make an unequal disbursement. See Chapter Six, page 6-11 for a complete discussion of unequal disbursements.

SECTION THREE: FEDERAL SHARE LIMITATIONS

Federal share to be reduced beginning 1989-90

Historically, the SEOG Program has been funded completely with Federal funds. While this is still true for 1988-89, the Federal share for SEOG will be reduced beginning with the 1989-90 award year. For 1989-90, the Federal share will be 95 percent; for 1990-91, it will be 90 percent; and for 1991-92 and subsequent years, 85 percent. However, as is currently true for the College Work-Study Program, the Department will, beginning in 1989-90, approve a Federal SEOG share of **100 percent** if a school is eligible under the Strengthening Institutions Program, the Strengthening Historically Black Colleges and Universities Program, or the Strengthening Historically Black Graduate Institutions Program. (A school in one of these categories must request a waiver by checking the appropriate box on the FISAP.)

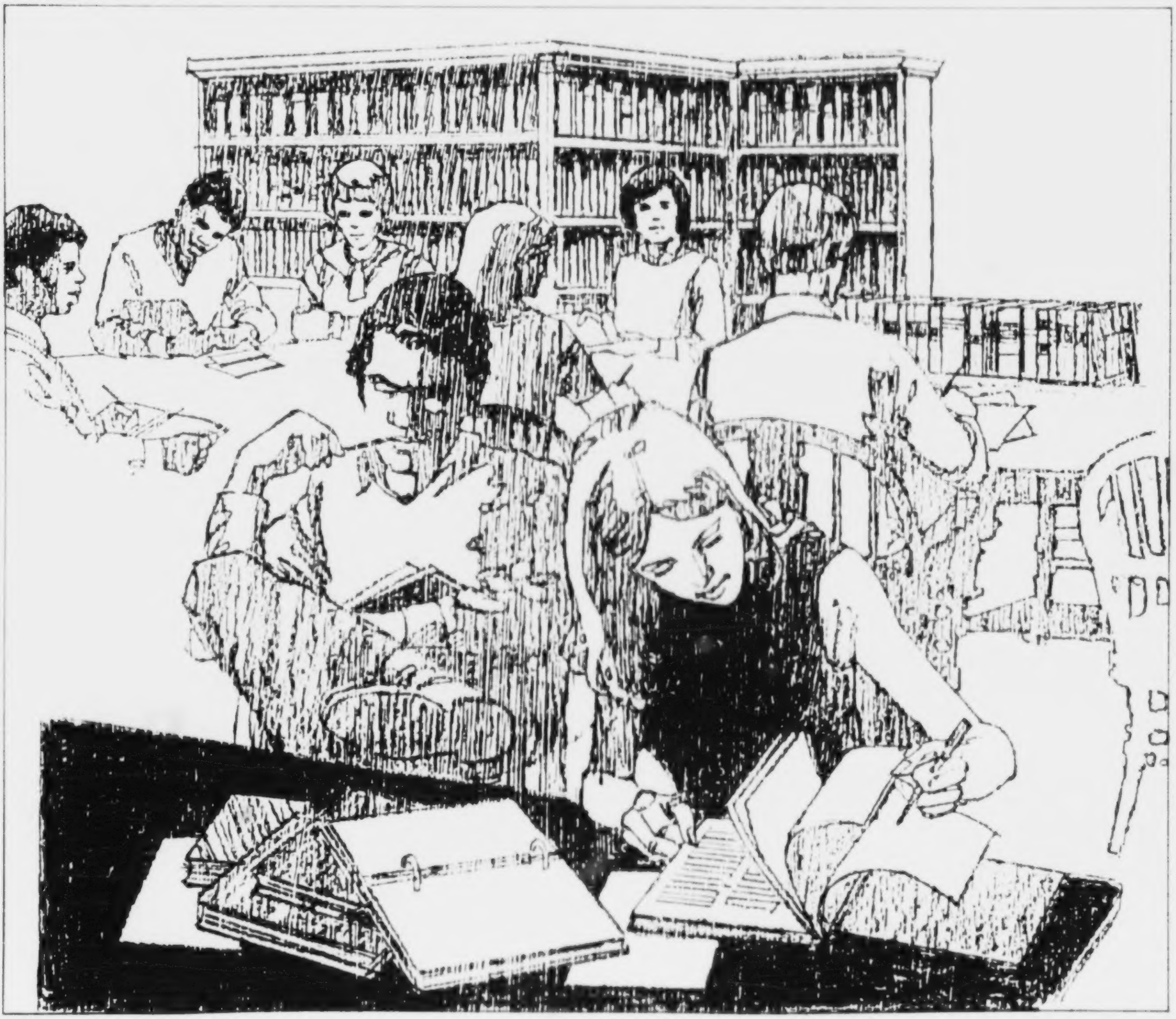
United States
Department of
Education

Office of
Student Financial
Assistance

1988-89

The Federal Student Financial Aid Handbook

Chapter Nine
Guaranteed Student Loans PLUS, and Supplemental Loans for Students



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INTRODUCTION

The Guaranteed Student Loan (GSL) Program, operating through State and private nonprofit agencies, makes low-interest, long-term loans available to students attending the approximately 7,300 schools that participate in the program: institutions of higher education, vocational, technical, business, and trade schools, and some foreign schools. To encourage participation in the GSL Program, the Federal Government subsidizes a portion of the interest on GSL's, enabling lenders to obtain competitive interest rates on loans while providing students with loans at below-market rates. The GSL Program is unique in that it requires the interaction of the Federal Government, private lending institutions, schools, State and private nonprofit guarantee agencies, and the student.

History of the programs

Title IV of the Higher Education Act of 1965 established the Federal Insured Student Loan Program (FISLP) as part of the Guaranteed Student Loan Program; however, provisions included in the law provided for the phaseout of FISLP and its replacement by guarantee agency programs. The Federal Government has not insured any FISLP loans since June 30, 1984. Instead State guarantee agencies or private nonprofit agencies insure loans and are reimbursed by the Federal Government for all or part of the insurance claims they pay to lenders. The guarantee replaces the security or collateral usually required in making a long-term consumer loan.

Although all guarantee agency programs must meet the Federal requirements that will be discussed in this chapter, *additional requirements may be established by individual guarantee agencies.* You can obtain specific information about a guarantee agency's procedures by contacting that agency. Appendix A of this chapter contains a list of guarantee agencies and their addresses.

The Education Amendments of 1980 established Parent Loans to Undergraduate Students (PLUS), a type of guaranteed loan that originally provided a source of additional funds for parents of dependent undergraduate students. The Postsecondary Student Assistance Amendments of 1981 extended PLUS borrower eligibility to independent undergraduate students and to graduate or professional students. The name of the loan program was changed to Auxiliary Loans to Assist Students (ALAS), to reflect the extension of the program to include student borrowers; however, the loans were usually still referred to as PLUS loans.

The Higher Education Amendments of 1986 restricted PLUS access once again to parents, but now allow them to borrow for either dependent undergraduate or dependent graduate/professional students. The 1986 Amendments also replaced ALAS with the Supplemental Loans for Students Program (SLS). SLS loans have interest and repayment similar to PLUS loans, but allow the same deferment provisions (for principal only) as the GSL Program.

The Higher Education Technical Amendments Act of 1987 made a number of additional changes in the loan programs and clarified the new deferments created by the 1986 Amendments.

Major provisions of new legislation concerning these loan programs are covered in the "Dear Colleague" mailings listed in Appendix C. Other OSFA publications referred to in this Chapter are also listed in Appendix C.

ELIGIBILITY

BORROWER ELIGIBILITY FOR GSL, PLUS, AND SLS

While eligibility criteria for students participating in all Title IV programs are generally the same (see Chapter 2 for information on eligibility requirements for students and schools), there are some significant differences in GSL, PLUS, and SLS that should be mentioned:

Differences in GSL,PLUS, and SLS eligibility criteria

- A member of a religious community may be eligible for a GSL, PLUS, or SLS. (Members of religious communities are not eligible for other forms of Title IV aid.)
- Only U.S. citizens or nationals may receive a GSL, PLUS, or SLS for study at a foreign school; "eligible non-citizens" may receive a GSL, PLUS, or SLS only for schools that are located within a State. (GSL, PLUS, and SLS are the only Title IV programs that allow foreign schools to participate.)
- In some cases, a student at a school offering a program of as few as 300 hours may be eligible for a GSL, PLUS, or SLS. In the other Title IV programs, the eligibility cutoff is six months (600 clock hours, 16 semester hours, 24 quarter hours, or 16 trimester hours). Technically, this issue is associated with institutional eligibility and the definition of "vocational school"; it is mentioned here because it is often thought of in connection with student eligibility.

In addition, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Higher Education Amendments of 1986, and the Technical Amendments of 1987 made substantial changes in eligibility requirements for *all* Title IV programs; the following is a brief summary of changes as they apply to GSL, PLUS, and SLS. For more detailed information, see Chapter 2 of this *Handbook.*

Recent changes in borrower eligibility for GSL, PLUS, and SLS

- If a student owes a refund on a Title IV grant, or is in default on a loan made under the GSL, PLUS, Income Contingent Loan, or Perkins Loan (formerly National Direct Student Loan) Programs—or on a Consolidation Loan—for attendance at *any* school, he or she is not eligible for a GSL or SLS. (See the section on refinancing and consolidation under "Counseling the Student" for more information on Consolidation Loans.) The parents of such a student may not take out a PLUS loan for him or her. In addition, if a parent is in default or owes a refund on any Title IV Program, he or she may not take out a PLUS loan for any of his or her children in postsecondary education. Certification that the borrower is not in default and does not owe a refund is a requirement for which the school is responsible, and is discussed under "Estimated financial assistance" in "The Loan Application Process."

- A determination of Pell Grant eligibility or ineligibility must be made for undergraduate GSL applicants if the school participates in the Pell Grant Program. This requirement does not apply to SLS applicants or to students for whom a parent is seeking a PLUS. Pell Grant eligibility determination is discussed under "Estimated financial assistance" in "The Loan Application Process."

- For periods of enrollment beginning on or after July 1, 1987, a student must be enrolled or accepted for enrollment in a degree or certificate program in order to receive a GSL or SLS; the dependent student of a PLUS borrower must also be enrolled in such a program. This is a new requirement only for GSL, PLUS, and SLS; it was already a requirement for other Title IV programs.

  NOTE: The Technical Amendments of 1987 provided an exception to this requirement; an otherwise eligible student may apply for a GSL and/or SLS (and the student's parent may borrow under the PLUS Program) for a single 12-month period of at least half-time study *if* the school has determined that the course work is necessary in order for the student to enroll in a degree or certificate program.

An eligible parent borrower for a PLUS is a student's mother, father, adoptive parent, or legal guardian.

INSTITUTIONAL ELIGIBILITY

Foreign schools' eligibility

In order to participate in the GSL, PLUS, or SLS programs, a school must be an institution of higher education or a vocational institution. Foreign schools comparable to these types of institutions can also be eligible, if they are approved by the U.S. Department of Education. Definitions of eligible institutions are found in Chapter 2. Dear Colleague letter GEN-86-35 provides more information on the eligibility requirements for foreign schools.

The word "school(s)" as used in this chapter means a school participating in GSL, PLUS, and SLS Programs, even though the word "participating" is not always included.

TERMS OF GSL, PLUS, AND SLS LOANS

Loan Limits for GSL, PLUS, and SLS

	ANNUAL	CUMULATIVE
GSL	**$2,625** first two years of undergraduate study	**$17,250** for undergraduate study
	$4,000 third year status or above	
	$7,500 for graduate/professional study	**$54,750** for graduate/professional study--includes undergraduate GSL's
SLS	**$4,000** graduate/professional, independent undergraduate	**$20,000** in addition to GSL/PLUS limits
PLUS	**$4,000**	**$20,000**

GSL LOANS

Loan Limits

- o Before January 1, 1987, undergraduates could borrow up to $2,500 per academic year, to a maximum outstanding debt of $12,500.

- Graduate or professional students could borrow up to $5,000 per academic year, to a maximum outstanding debt of $25,000, including any outstanding undergraduate GSL's.

GSL loan limits for periods of enrollment beginning on or after January 1, 1987 have been increased. The new limits are:

New GSL loan limits

- up to $2,625 per academic year for first-and second-year undergraduates;
- up to $4,000 per academic year for undergraduates who have achieved third-year status, to a maximum outstanding debt of $17,250 for undergraduate study. Determination of a student's grade level is based on his or her progress in the current program of study; a previous undergraduate degree in a different program is not considered in this determination. See Dear Colleague letter GEN-86-35 for more information.
- up to $7,500 per academic year for graduate or professional students, to a maximum outstanding debt of $54,750, including any outstanding GSL loans borrowed for undergraduate study. (PLUS and SLS loans are not considered in GSL loan limits.)

The aggregate limit (or sum total) for both undergraduate and graduate/professional students must also include any portion of a borrower's Consolidation Loan that was used to repay a GSL or SLS. Thus, *consolidation of a student's loans does not increase his or her loan limits.*

For the GSL Program, the student can borrow up to the limit on loans outstanding; once the loans are repaid in full or in part, a student again may apply for a GSL loan. (In the Perkins Loan Program, on the other hand, the loan maximum is limited by the total borrowed, even though previous loans may have been repaid.)

Loan limits are affected by factors such as other aid received, cost of attendance, and expected family contribution. These factors are discussed under the subject headings for GSL, and PLUS and SLS that follow, and in the section "GSL and PLUS/SLS—Some Comparisons."

Interest rates

The interest rate for borrowers whose first loans were made from September 13, 1983 to June 30, 1988 is 8 percent. The 8 percent rate is effective for GSL loans made for any *period of instruction* (regardless of the date of disbursement) beginning September 13, 1983 and continuing through June 30, 1988. The interest rate for new borrowers* on or after July 1, 1988 will be 8 percent per year beginning on the *date of disbursement* and ending 4 years after repayment begins, and 10 percent per year during the rest of the repayment period. Borrowers with 8 percent loans are entitled to a 6 month *grace period*, which is the period between the termination of at least half-time study and the beginning of loan repayment.

Grace period--definition

The grace period for loans begins on the date when the borrower ceases attending school at least half time. Repayment begins 6 months (or 9-12 months, as explained in the following paragraph) after the beginning of the grace period. The borrower may request a shorter grace period.

If a borrower with an outstanding GSL at 7 percent (the interest rate for a loan made prior to January 1, 1981) borrows again, those loans will also be at the 7 percent rate. If a borrower with a prior loan at 7 percent has paid off the entire loan and wishes to apply for a GSL, he or she would be considered a new borrower, and would receive the interest rate for new borrowers (8 percent, changing to 10 percent after four years of repay-

---

* The term "new borrower" for GSL, PLUS, and SLS loans, as clarified by the Technical Amendments of 1987, has a very specific definition. Keep this definition in mind, especially when you counsel students who may have multiple loans. For GSL, PLUS, or SLS loans, a "new borrower" is one who has no outstanding balance on a GSL, PLUS, SLS, or Consolidation Loan on the date he or she signs a promissory note for a loan (1) for a period of enrollment beginning on or after July 1, 1987, or (2) disbursed on or after July 1, 1987. This means that the individual has never before borrowed under one of these programs, or that any previous loans have been repaid before the new loan is made. Once a person qualifies as a "new borrower," he or she remains one; the "new borrower" loan conditions will apply to any future loans. The "new borrower" definition applies only to the *type* of loan applied for: an individual can be a "new borrower" for the GSL, PLUS, and SLS programs and an "old" borrower for the Perkins Loan Program at the same time. For example, if a student has paid off a previous GSL and applies for a new one after July 1, 1987, but has an outstanding Perkins Loan, that student is still a "new borrower" for the GSL Program.

"New borrower" definition--GSL, PLUS, SLS

ment). On loans with an interest rate of 7 percent, the borrower is entitled to a 9 to 12 month grace period before repayment begins. The 9 to 12 month grace period for 7 percent loans is set by the lender or the guarantee agency, and is shown on the Promissory Note, signed by the borrower.

This pen is a reminder of the importance of communication—between student, school, lender, and guarantee agency—in a successful guaranteed loan program.

Similarly, if a borrower received a first loan on or after January 1, 1981 through September 12, 1983 at the 9 percent interest rate (the interest rate in effect during that period), and has an outstanding loan at that rate, subsequent loans will also be at 9 percent. The grace period is 6 months for loans made at 9 percent. Again, if a loan at 9 percent has been completely repaid, a subsequent loan to that borrower would be at 8 percent (increasing to 10 percent after four years of repayment).

Additional costs of borrowing

Insurance premium

For loan applications signed by the borrower *before* July 1, 1987, a guarantee agency may charge a lender up to 1 percent per year of the unpaid balance of the loan as an insurance premium. Lenders may, and usually do, pass this charge on to the borrower. It may be charged to the borrower in one lump sum prior to the beginning of repayment, and the total amount subtracted from the first loan disbursement; or it may be deducted proportionately from each loan disbursement.

For loan applications signed by the borrower *on or after* July 1, 1987, the maximum insurance premium that a guarantee agency may charge the borrower of a GSL, SLS, or PLUS is a one-time fee, not to exceed 3 percent of the principal amount of the loan. If the loan is disbursed in more than one payment, the fee must be deducted proportionately from each disbursement.

Loan origination fee

The lender may charge the borrower a 5 percent origination fee for loans made on or after October 1, 1986.* A loan is considered "made" on the date the loan proceeds are disbursed in whole or in part to the borrower. For loans made prior to July 1, 1986, the fee was generally deducted from the loan amount prior to the first disbursement. For loans made on or after July 1, 1986, the origination fee must be deducted proportionately from each disbursement of the loan proceeds.

NOTE: The loan origination fee is not retained by the lender, but is turned over to the Federal Government to help offset the cost of Federal interest subsidies.

Repayment

For new borrowers, the loan repayment period begins six months after he or she ceases to be enrolled at least half time—either because the course of study has been completed, or because the student drops out of school, drops below half-time status, or transfers to a school that does not participate in GSL.

It is the student's responsibility to notify the lender of the date on which he or she ceases to be enrolled at a participating school at least half time.

You are urged to emphasize to students the importance of this responsibility. Upon notification of this critical date, the lender will send a repayment schedule to the borrower. Provisions of the loan repayment schedule must agree with those in the Promissory Note and the loan Disclosure Statement. Generally, the borrower has from 5 to 10 years to pay off the loan. Any periods of authorized deferment or forbearance granted are not counted in the 5 and 10-year repayment period. The borrower may prepay all or part of a loan at any time without penalty.

NOTE: Schools are required to inform the lender (or guarantee agency) of any change in the borrower's enrollment status.

If a student returns to school at least half time *before* the grace period ends, he or she may again postpone loan repayment while in school and will be entitled to a full grace period upon termination of enrollment or when dropping below half-time status. The student should understand, however, that *once the grace period ends, he or she is in repayment status, and must enroll in an eligible school full time in order to qualify for a deferment.* (See the exception for new borrowers under "Deferment" in this section.)

---

* For loans made March 1, 1986 through September 30, 1986, the maximum origination fee was 5.5 percent.

Minimum monthly payment--GSL

In general, minimum monthly payments must be at least $50 ($600 per year) on new loans; when both husband and wife have GSL's, the minimum combined annual payment for the couple is also $600. Loan payments for GSL's, however, usually exceed these minimums. The lender may require a repayment period of less than 5 years, if necessary, to ensure that the above minimum payments are met.

If, as often happens, the lender sells the loan or otherwise transfers the right to receive payment, the borrower must be notified. This notification must spell out his or her obligations to the new holder of the loan.

If, after obtaining a GSL, the borrower enrolls less than half time, fails to enroll during the period for which the loan was intended, or is otherwise found to be ineligible for all or part of the loan, the borrower must immediately notify the lender and repay the amount due. If the borrower fails to do so, the lender may file a default claim for the full loan amount.

Deferment

Deferment periods are periods during which payment of principal on a GSL loan is postponed, and, in general, interest subsidy payments are made by the Federal Government. Once repayment begins, borrowers are entitled to a deferment if they meet the requirements below; however, *the borrower must request a deferment in writing using a form provided by the lender, and must provide documentation to the lender in support of the request.*

If a borrower's loan is in default, he or she is not eligible for any deferments for that loan.

The Higher Education Amendments of 1986 and the Technical Amendments of 1987 added a number of deferments to those already available to GSL, PLUS, and SLS borrowers. However, some of the new deferments are applicable only to new borrowers.

Deferments of repayment for all GSL borrowers are authorized for:

- o Full-time study at a school participating in the GSL Program (unless the borrower is not a U.S. national and is studying at a foreign school).

  NOTE: as noted on the previous page, while a GSL borrower may obtain a loan while a half-time student, once he or she ceases enrollment at a participating school at least half time and enters repayment, that student must enroll full time in a program in order to be eligible for a deferment. (See the exception below for new borrowers.)

- o Full-time study at an institution of higher education or a vocational school which is operated by an agency of the Federal Government. (Most federally operated schools are associated with the Veterans Administration or with the Armed Forces. Appendix B is a list of federally operated schools.)

- o Study in an eligible graduate fellowship program, including a recognized graduate international fellowship program at a foreign university. The borrower must already have a bachelor's degree, and must be a full-time student.

- o Study in an approved rehabilitation training program for the disabled.

- o Up to 3 years of active duty status in the United States Armed Forces or service as an officer in the Commissioned Corps of the U.S. Public Health Service (including any combination of such periods of service).

  NOTE: a borrower is not eligible for deferment for service in the Reserves of the Armed Forces.

- o Up to 3 years of volunteer service under the Peace Corps Act (if the borrower has agreed to serve for at least one year).

- Up to 3 years of service as a full-time volunteer under Title I of the Domestic Volunteer Act of 1973 (ACTION programs). Again, the borrower must agree to serve for at least one year.

- Up to 3 years of full-time volunteer service (for a tax exempt organization) that is comparable to service as a Peace Corps or ACTION volunteer.

- Periods of unemployment totalling up to 2 years, if during those periods the borrower is seeking but unable to find full-time employment.

- Up to 2 years of service in an internship or residency training program required by a State licensing agency before beginning professional practice or service. The borrower must have a bachelor's degree before beginning the program.

- Up to 3 years during which the borrower is temporarily totally disabled or during which the borrower is unable to work because he or she is caring for a spouse or other dependent who is temporarily totally disabled (including any combinations of such periods).

- Up to 6 months of parental leave during which a borrower is pregnant, caring for his or her newborn child, or caring for his or her adopted child immediately following adoption. The borrower must be unemployed and not attending school, and must apply within 6 months after he or she leaves school or drops below half-time status.

The following additional deferments of repayment for a GSL apply *only* to new borrowers:

"New borrower" deferments--GSL

- Up to 3 years of active duty in the National Oceanic and Atmospheric Administration Corps.

- Up to 3 years of full-time teaching in a public or nonprofit private elementary or secondary school in an area the U.S. Department of Education has determined to be a teacher shortage area. (For more information about this deferment, students should be instructed to contact the appropriate guarantee agency.)

- In addition to the internship provision above, up to 2 years of service in an internship or residency program which leads to a degree or certificate awarded by a postsecondary school, hospital, or a health care facility with postgraduate training.

- Periods of half-time study, *if* the borrower has obtained a GSL or SLS for that same enrollment period.
- Up to 12 months for mothers of preschool age children who are going to work (or back to work) at a salary that is no more than $1.00 over the Federal minimum wage.

You may wish to reassure students with previous loans, who are concerned about changes in deferment conditions, that deferments listed on the Promissory Note cannot be removed; however, additional deferment conditions which could apply to *all* borrowers may be added by future legislation.

For more information about the new GSL deferment provisions, see Dear Colleague letters G-86-97 and GEN-87-29.

Forbearance

If a borrower, because of poor health or other unanticipated personal problems, is willing but financially unable to make the required payments on a GSL, he or she may request the lender to grant forbearance. Forbearance is the temporary cessation of payments, allowing an extension of time for making payments, or accepting smaller payments than were previously scheduled. The lender may grant forbearance of principal, interest, or both. Forbearance requires a written agreement between borrower and lender. Unlike periods of deferment, when forbearance is granted the borrower is responsible for repayment of accrued interest charges. Lenders do not have to grant forbearance.

Cancellation

If a borrower dies or becomes totally and permanently disabled, the guarantee agency will pay the borrower's obligations for principal and interest, and the holder of the loan may not collect the loan from an endorser, or from the borrower's estate. Certification of permanent disability from a physician is required for loan cancellation. The Department of Education then will reimburse the guarantee agency for the amount of the loan.

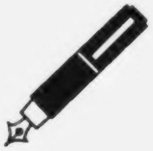
The guarantee agency or the Department of Education also will pay for a loan discharged in bankruptcy. A loan discharged in bankruptcy is not considered a defaulted loan.

Repayment by the Department of Defense

At the time this chapter was written, the Army was the only branch of the Armed Forces offering a loan repayment program as an enlistment incentive. Currently, if a student borrower serves as an enlisted person in the U.S. Army, the Army Reserves, or the Army National Guard, the Department of Defense, as an enlistment incentive, will repay a portion of the loan. For more information the student should be directed to contact his or her local Army recruiting office. This is a recruitment program and does not pertain to an individual's prior service.

Default

While more than 90 percent of all borrowers repay their loans on time, some do fall behind on their payments, for a variety of reasons. *You should counsel students to maintain contact with the lender if they have repayment problems, to avoid delinquency and default.*



Delinquency

When a scheduled payment on a loan is not made on time, the loan becomes delinquent. Over the next 6 to 8 months the lender is required to make repeated attempts to re-establish payment, including attempts to contact the borrower by phone and/or letter, the use of skip-tracing assistance, and the use of the guarantor's pre-claim assistance.

For loans which entered delinquency before April 7, 1986, default is defined as the failure to make payments for a period of 120 days in the case of a monthly repayment schedule, and 180 days for less frequent installments. For loans which entered delinquency on or after April 7, 1986, default is the failure to make payments for a period of 180 days for a loan repayable in monthly installments, and 240 days for a loan repayable in less frequent installments.

If the borrower's delinquency persists, the lender may accelerate the loan, that is, demand the entire balance of the loan in one payment. The lender may file a default claim with the guarantee agency, which reviews the lender's collection efforts before reimbursement. If the guarantee agency pays the default claim, the agency will continue collection efforts. These efforts will include reporting loan defaulters to national credit bureaus, and may include garnishing Federal salary checks for defaulters in public service, and withholding or "offsetting" part or all of a defaulter's Federal or State income tax refund. (If the defaulter is sued, garnishing of wages may be included in the court's ruling.) Also, a student with a defaulted loan is no longer eligible for any Federal student aid under Title IV programs.

Once the student allows a loan to go into default, his or her opportunity to obtain a deferment is lost, and he or she will not be able to receive any Federal financial aid until the obligation is discharged, or satisfactory arrangements have been made with the lender or guarantor.

PLUS LOANS AND SUPPLEMENTAL LOANS FOR STUDENT (SLS)

Loan limits

New PLUS and SLS loan limits

- o PLUS loans are now limited to parent borrowers. A parent (a person's natural or adoptive mother or father, or legal guardian) may borrow up to $4,000 per academic year on behalf of each dependent student, to a maximum outstanding debt of $20,000 per student. The student's parents may borrow jointly or separately for the student. If they borrow separately, the loan limits on behalf of dependent students apply to the total of both loans, not to each loan individually. These loan limits *do not* include amounts borrowed by the student under GSL or SLS programs.

- o Under SLS a graduate or professional student, or an independent undergraduate student, may borrow up to $4,000 per academic year to a maximum outstanding debt of $20,000 *in addition to* the GSL and PLUS limits.

  NOTE: If you determine, after considering the financial information of the family and the debt burden of the student, that the student's parents will be unable to borrow under the PLUS Program, and will not be able to provide the expected family contribution (EFC), you may allow a dependent undergraduate to apply for an SLS. You must put in writing your reason(s) for making the decision, and keep the information in the student's file.

In addition to the above limits, no borrower may receive a loan for more than the student's estimated cost of attendance less estimated financial assistance.

Interest rates

The interest rate on PLUS loans disbursed before October 1, 1981 is 9 percent. The interest rate on PLUS loans disbursed between October 1, 1981 and November 1, 1982 is 14 percent. For loans disbursed between

November 1, 1982 and June 30, 1987 the interest rate is 12 percent. Each PLUS loan is subject to the interest rate in effect when the loan was made; there is no connection to previous PLUS loans which may have different interest rates.

New *variable* interest rate for PLUS and SLS

SLS and PLUS loans for which the first disbursement is made on or after July 1, 1987 have a *variable* interest rate, to be determined on June 1 of each year according to a prescribed formula, and effective for the following award year. The interest rate for July 1, 1987 through June 30, 1988 is 10.27 percent. The interest rate applied to a loan will be the rate in effect at the time the loan is disbursed; however, at the lender's option, the borrower's payments may be adjusted to reflect annual adjustments in the interest rate.

There is no grace period for PLUS or SLS borrowers.

Repayment

For PLUS and SLS borrowers, repayment of interest and principal begins within 60 days after the loan is disbursed, unless one of the deferment conditions described below applies. *Deferment of these loans is for principal only;* the borrower must pay all interest that accrues on the loan after disbursement, according to the terms of the repayment schedule. However, a lender may agree to capitalize the interest (add it to loan principal) when repayment of the principal begins or resumes. Procedures for capitalization of interest under different deferments may vary.

Repayment periods for PLUS and SLS loans are generally 5 to 10 years; periods of authorized deferment or forbearance are not counted in the 5-to-10- year period. The minimum annual payment of the borrower's total of GSL, PLUS, and SLS loans is $600.

If, after obtaining a PLUS or SLS, the student borrower or student for whom the parent borrowed enrolls less than half time, or does not enroll at all during the period for which the loan was intended, the entire amount is immediately due the lender.

Deferment for PLUS and SLS

Deferments for SLS borrowers are the same as those for GSL borrowers, but deferment is for principal only.

Before passage of the Higher Education Technical Amendments Act of 1987, the only deferment available to parent PLUS borrowers who borrowed on or after August 15, 1983 was the unemployment deferment (see following page). The following deferments are now available to all PLUS borrowers, effective October 17, 1986. Deferments for PLUS borrowers are for principal only.

Deferments of repayment for a PLUS are authorized for:

- Full-time study by the parent borrower at a school participating in the GSL Program (unless the borrower is not a U.S. national and is studying at a foreign school).
- Full-time study by the dependent student for whom the parent borrowed a PLUS at an institution of higher education or a vocational school which is operated by an agency of the Federal Government. (Appendix B is a list of federally operated schools.)
- Study by the parent borrower in an eligible graduate fellowship program, including a recognized graduate international fellowship program at a foreign university. The borrower must already have a bachelor's degree, and must be a full-time student.
- Study by the parent borrower in a rehabilitation training program for disabled individuals.
- Full-time study at a participating school by the dependent student for whom the parent borrowed a PLUS (as long as the student is still dependent). Deferment is also permitted for the dependent student's half-time study, if the student obtained a GSL or SLS for the same enrollment period.
- Study by the dependent student for whom the parent borrowed a PLUS in an eligible graduate fellowship program, or in an approved rehabilitation training program for the disabled (as long as the student is still dependent).
- Up to 3 years during which the parent borrower is temporarily totally disabled, or during which the parent borrower is unable to work because he or she is caring for a spouse or other dependent who is temporarily totally disabled.

Deferments for PLUS and SLS are for principal only

- o Periods of unemployment totalling up to 2 years, if during those periods the parent borrower is seeking but unable to find full-time employment.

In addition, new borrowers may defer repayment during:

"New borrower" deferment--PLUS

- o Periods when the parent borrower is in school at least half time, if the parent borrower has obtained a GSL or SLS for the same enrollment period.

PLUS and SLS borrowers must follow the same procedures in requesting a deferment as do GSL borrowers.

Forbearance

Conditions for forbearance of PLUS and SLS loans are the same as those described in the "Forbearance" section under " GSL Loans."

Cancellation

PLUS and SLS loans may be cancelled as a result of the death or permanent total disability of the *borrower,* or if the loan is discharged in bankruptcy. If both parents obtained a PLUS loan as co-makers, the applicable condition must apply to both.

Default

Conditions for delinquency and default are the same as those for GSL's, described in the "Default" section under "GSL Loans."

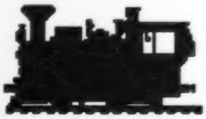
GSL and PLUS/SLS—SOME COMPARISONS

The terms and conditions of GSL, PLUS, and SLS loans have undergone major changes resulting from recent legislative changes in the loan programs. Some of the changes, such as loan limits, and some deferment conditions, affect *all* these loans—GSL, PLUS, and SLS—regardless of when the loan was made. However, changes in interest rates and in most deferment conditions depend on 1) whether the borrower has previous loans outstanding, and 2) when the loan was made.

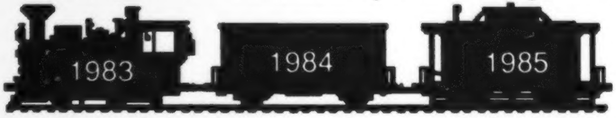
When examining these changes, you should keep in mind the difference between the two types of guaranteed loans: GSL, and PLUS/SLS.

GSL loans are "linked" in terms of interest rates and, generally, deferment conditions as long as the borrower has outstanding loans. Many students using GSL loans to help pay for their school expenses will continue to take out new loans before beginning to repay previous ones, and those loans will be "linked": each subsequent loan will be subject to certain terms and conditions of the initial loan, as illustrated below.

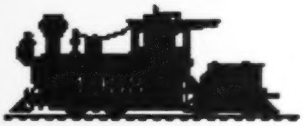
GSL LOANS



Jim got his first GSL in 1983, an 8% loan with deferments such as in-school, while on active duty in the Army, unemployment, etc.

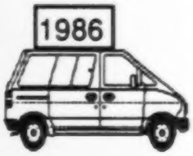


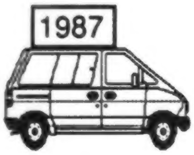
Each year he was in school, he got another GSL, and, since he hadn't paid off the previous loans, the loans are linked--the same terms and conditions, for the most part, apply to all of them. When Jim graduated, he got a good job, and paid off all his loans. Then, he decided to go to graduate school, and again was able to qualify for a GSL. This loan, however, was not linked to the previous loans, because he'd paid them off. His new loan, made in 1988, has new provisions--a different interest rate (8% for the first 4 years, and then 10%) and some additional deferments. However, because of the "new borrower" definition in the 1986 Amendments, Jim won't get the new provisions unless he's also paid off any SLS or PLUS loans he may have.

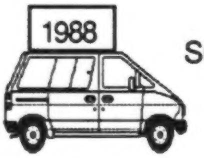


For PLUS and SLS loans, however, there is no such linkage—each loan is subject to the terms and conditions in effect when that loan was made, regardless of whether the borrower has other PLUS or SLS loans outstanding. The following illustration depicts some of the differences between these loans and GSL's.

PLUS AND SLS LOANS







Susan, an independent undergraduate student, got SLS loans in 1986, 1987, and 1988. The terms and conditions for these loans are those in effect when each loan was made--they are not linked in terms of interest rates, grace periods, or deferment conditions. However, because of the 1986 Amendments, Susan's 1988 SLS will not be subject to the "new borrower" deferment conditions unless she's paid off any previous SLS loans. (If Susan had qualified for a GSL while a dependent student, that loan would have to be paid off also.)

The following additional differences between GSL, PLUS, and SLS loans should be noted:

Family Contribution

A GSL applicant must have his or her family contribution (as determined by an approved need analysis system), plus other estimated student aid awarded, subtracted from the cost of attendance at his or her school. If the student's remaining need is less than the GSL maximum, the student's GSL cannot exceed that lesser amount.

In contrast, income and family contribution are not considered when determining the amount of a PLUS or SLS, although other estimated student aid awarded is. As with all Title IV programs, the PLUS or SLS, added to other student aid, cannot exceed the cost of attendance.

Insurance premiums and origination fees

A guarantee agency may charge lenders the same insurance premium rates for PLUS and SLS loans as for GSL's. However, GSL borrowers pay a loan origination fee; there is no origination fee for a PLUS, SLS, or a Consolidation Loan.

THE LOAN APPLICATION PROCESS

A student may obtain a GSL application from a guarantee agency, a lender, or a school that participates in the GSL Program. While applications will vary somewhat, a typical application will contain three sections: one to be filled out by the student, one to be filled out by the school, and one to be filled out by the lender. PLUS and SLS borrowers will fill out a different form, requesting similar information. Information common to all applications is discussed below.

The borrower is responsible for filling out:

- the student portion of the loan application
- the Promissory Note

Promissory Note--definition

The Promissory Note is a legal document obligating the student to repay the loan. It may be part of the application or executed separately, after the application has been processed. The borrower's rights and responsibilities will be stated on the Promissory Note, or on other documents the borrower receives when the loan is made.

THE STUDENT'S PORTION

In addition to basic information such as name, address, and Social Security Number, questions on the student's portion of the application will seek information concerning the student's citizenship status and enrollment status. The student will be asked about any education loans outstanding, and whether he or she has ever defaulted on a student loan. The student will be required to sign a statement certifying that he or she does not owe a refund on a Pell Grant, Supplemental Educational Opportunity Grant (SEOG), or State Student Incentive Grant and is not in default on a GSL, SLS, PLUS, Income Contingent Loan (ICL), or Perkins Loan received to attend any school. The student must sign a statement of registration status, indicating that he or she has registered with the Selective Service, if required to do so. The student also will be required to sign a statement certifying that the information provided on the application is correct and that any funds received will be used only for study at the school listed on the application. The student must indicate a choice of lender on the application. After filling out the student's portion of the application and signing it as indicated, the student should submit the application and the Promissory Note (if the Note is part of the application) to the financial aid office.

THE SCHOOL'S PORTION

School determines eligibility

You are responsible for determining the student's cost of attendance and estimated financial aid. You're expected to confirm the student's dependency status, Social Security Number, and adjusted gross family income. *Thus the school, and not the lender, determines the student's eligibility for a GSL.* (An eligible foreign school is also responsible for this analysis, unless it delegates that responsibility to the appropriate guarantee agency or to a consultant.)

You must determine whether the student previously attended another eligible institution and, if so, you must request a financial aid transcript for the student. You may certify the loan application before receipt of the student's financial aid transcript, but you may not release loan proceeds to the student until the transcript is received. (In the case of a PLUS, you may *not* certify the application until the financial aid transcript is received.)

Questions on the school's portion of the application will determine the following:

Dependency status

Dependency status--see Chapter 2

In order to determine the sources of income available to a student, you must establish his or her dependency status. The Higher Education Amendments of 1986 revised the definition of an independent student. The new definition, clarified by the Technical Amendments of 1987, applies to GSL, SLS, and PLUS loans for periods of enrollment beginning on or after January 1, 1987, and is effective for Pell Grant and campus-based programs beginning with the 1987-88 award year.

For more information on dependency status, see Chapter 2.

Adjusted gross family income

AFGI

For a dependent student, adjusted gross family income means the adjusted gross income reported on the appropriate Federal income tax return of the student, his or her spouse (if any), and the student's parents. For an independent student, you consider only the income of student and spouse.

The period for which income must be determined is the calendar year *preceding* the period of enrollment for which the loan is intended. For example, if the loan is sought for the academic year July 1, 1988 through June 30, 1989, you must determine the adjusted gross family income for calendar year 1987.

Cost of attendance

In order to determine how much a family should be expected to contribute toward the student's educational costs, you must provide an estimate of the cost of attendance at your school.

COA

For GSL, SLS, and PLUS programs (and for campus-based programs) the cost of attendance includes—

- o tuition and fees, including costs for rental or purchase of equipment or supplies required for the particular course of study
- o the insurance premium and origination fee on the loan (if applicable)
- o an allowance for books, supplies, transportation, and miscellaneous personal expenses (these expenses may not include purchase of a car)
- o an allowance for room and board costs during periods of enrollment, consisting of: 1) not less than $1,500 for a student without dependents who is living at home with parents, 2) a standard allowance for students without dependents living in institutionally owned or operated housing, based on the school's normal room and board costs for most students, and 3) for all other students, an allowance of not less than $2,500, based on reasonable expenses for room and board
- o for correspondence study programs, tuition and fees only, and if required for residential training, books and supplies, travel, and room and board during the residential training period
- o reasonable costs associated with a formal program of study abroad, if foreign study is part of the student's academic program

- for a student with one or more dependents,* an allowance based on reasonable expenses for those dependents, based on their ages

- for a handicapped student, an allowance for those expenses (including transportation expenses) related to his or her handicap which are not provided by other assisting agencies

- for a student receiving instruction through telecommunications technology, the cost of attendance may not include rental or purchase of telecommunications equipment

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* the term "dependent" can include elderly or disabled adults (including the student's spouse) as well as children

Note that the cost of attendance for less than half-time students is not included here, since it applies only to Pell Grant and campus-based programs.

Cost of attendance requirements as a result of the 1986 Amendments are described in detail in Chapter 2 and Chapter 5, and in the *Guide to Changes for the 1988-89 Title IV Delivery System* (Dear Colleague letter of January 1988, GEN-88-7).

Expected family contribution

EFC

In the past, the family contribution was not considered in determining a student's eligibility for a GSL if adjusted gross family income was $30,000 or less. The Higher Education Amendments of 1986 require that a determination of expected family contribution (EFC) be made for *all* GSL applicants.

CM determines GSL eligibility

Previously, an approved need analysis system such as the Uniform Methodology was used to determine the family contribution (FC) for GSL applicants. Beginning with the 1988-89 award year, you must use a single need analysis system, the Congressional Methodology (CM), to determine eligibility for campus-based and GSL programs. For detailed information on the CM and the FC, see *The Congressional Methodology, 1988-89.*

In general, when calculating a student's GSL for summer school, you should use the FC for the upcoming academic year instead of the FC for the academic year that is coming to a close—on the presumption that the upcoming year FC provides a more recent, and thus more accurate, picture of the student's financial strength. The FC can, of course, be adjusted if circumstances warrant; however, the adjustment must be documented in the student's file.

Note that, beginning with the 1985-86 award year, the income realized from the proceeds of the sale of farm or business assets (capital gain) is excluded from the family income of a student in calculating that student's FC under the GSL Program, if the sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy. Beginning with the 1987-88 award year, instructions concerning these exclusions of income will be provided on the Federal application and on all multiple data entry forms. For more information on this capital gain exclusion see the *The Congressional Methodology, 1988-89.*

Calculation of an expected family contribution is not required of any PLUS or SLS borrower. However, loans made to a student under SLS, or on behalf of a student under PLUS, can be used to offset part or all of the student's EFC for GSL and other need-based Title IV programs.

Estimated financial assistance

In determining the amount of GSL loan eligibility, you must subtract from the cost of attendance both the expected family contribution and the estimated financial assistance for the loan period in question. (For SLS and PLUS, you subtract only the estimated financial assistance from the cost of attendance, since an EFC is not required.) In estimating financial assistance, you must consider State aid, scholarships and other awards, and any other Federal financial aid for which the student is eligible. (See *The Congressional Methodology, 1988-89,* the *Guide to Changes for the 1988-89 Title IV Delivery System* (Dear Colleague letter GEN-88-7), and the GSL Regulations for more detail on estimated financial assistance.

If a school certifies a loan based on estimated financial assistance at the time of application and the student later receives additional aid, the school is not held responsible for the excess loan amount.

The following illustration summarizes GSL eligibility determination:

COST OF ATTENDANCE — ESTIMATED FINANCIAL ASSISTANCE — EXPECTED FAMILY CONTRIBUTION = NEED FOR GSL

ESTIMATED FINANCIAL ASSISTANCE (includes Pell, SEOG, other campus-based aid, and non-Federal aid, such as scholarships)

EXPECTED FAMILY CONTRIBUTION (PLUS, SLS, and State-sponsored or private loan programs can be used to offset part or all of EFC)

If a student is receiving veterans' educational benefits, the portion of those benefits that is not included in the FC must be considered as estimated financial assistance in determining GSL loan eligibility. In the case of an SLS or PLUS (for which no FC is required), the entire amount of those benefits must be counted as estimated financial assistance.

GSL loans cannot exceed need

Formerly, a student whose unmet need was $500-$999 could receive a GSL with Federal interest benefits for a loan up to $1,000, subject to the lender's approval, even if that amount exceeded the student's loan eligibility. Now, students may not receive an interest-subsidized loan in excess of their need; this means, for example, that a student whose unmet need is $600 may apply, and be certified for, a GSL with Federal interest benefits for no more than $600.

Before certifying a GSL application, you must determine whether undergraduate applicants are eligible for a Pell Grant if your school participates in the Pell Grant Program.

Quick Pell ineligibility determination

You may assume a student will not receive a Pell Grant if:

- o he or she has a student aid report (SAR) showing a student aid index (SAI) of 2,000 or higher
- o according to a hand calculation, using a worksheet or using a desk-top calculator programmed to produce an accurate SAI, the student's SAI exceeds the Pell eligibility cutoff (2,000) by more than 200 points. If this calculation produces an SAI that is within 200 points of the

eligibility cutoff, the student must confirm that by filing a Federal application or one of the Multiple Data Entry (MDE) applications—the Financial Aid Form (FAF), the Family Financial Statement (FFS), the Student Aid Application for California (SAAC), the Illinois Application for Federal for Federal and State Student Aid (AFSSA), or the Pennsylvania Higher Education Assistance Agency (PHEAA) form.

In all cases, the SAI estimate generated by any of the MDE processors listed above can be used to determine Pell ineligibility, even if the estimated SAI is less than 200 points above the eligibility cutoff.

Due to changes in the Pell Grant formula for 1988-89, the option of using a chart to quickly determine Pell ineligibility (similar to those produced in 1986-87 and in 1987-88) is no longer possible.

A student will receive a Pell Grant if he or she has a SAR showing an SAI of 2,000 or less. If a student has applied, but has not yet received an SAI, you can make a preliminary determination of eligibility based on a hand calculation showing that the student's SAI will be 2,000 or less. A first disbursement of the loan proceeds may be made based on this preliminary determination, but the calculation must be confirmed by the actual SAI before the second disbursement can be made.

If the student is eligible to receive a Pell Grant, the amount for which the student is eligible must be included in the estimated financial assistance in determining the GSL loan amount, whether or not he or she actually applies for and accepts the Grant. The Pell eligibility determination requirement does not apply to applicants for PLUS or SLS loans.

In summary, a school may not certify a GSL, PLUS, or SLS loan application until the following requirements are met:

Requirements for certification

- o the student's dependency status, enrollment status, and satisfactory progress have been established
- o a student (or the student and parent in the case of a parent PLUS loan) certifies that he or she is not in default on a Perkins Loan, GSL, PLUS, Income Contingent Loan, or Consolidation Loan made for attendance at *any* institution, and does not owe a refund on any Title IV grant or scholarship program received for attendance at any institution. Financial aid transcripts for students who

indicate previous attendance at another eligible school are required as part of this certification. (See Chapter 2 for more information on financial aid transcripts.)

- a determination of Pell eligibility is made (for GSL applicants)

- the school reviews its academic and financial aid records, verifies the information certified by the borrower (and the student, in the case of a PLUS) concerning previous loans or grants, and determines that the total loan or loans certified for that period of enrollment will not exceed annual or maximum loan limits and (1) for GSL, the student's financial need as determined by an approved need analysis system; (2) for PLUS and/or SLS, the student's cost of attendance and estimated financial assistance. Students who in any academic year borrow more than the annual or aggregate maximum loan limits for which they are eligible under GSL, SLS, or Perkins Loan programs will lose their eligibility for further Title IV assistance for that academic year.

- conflicting information with regard to verification requirements is satisfactorily resolved (See the "Verification Requirements" section under "Additional Requirements and Responsibilities of Schools.")

- the school can provide documentation of the student's statement of registration status.

You should be aware of the responsibility incurred in certifying the loan application. If you incorrectly certify that an ineligible student is eligible, your school will be responsible for purchasing the loan incorrectly made, and for reimbursing the Department of Education for all interest and special allowance paid on behalf of the borrower. If you certify that a student is eligible for a larger loan than he or she is entitled to, your school will be responsible for reimbursing the lender for the difference between the loan amount certified and the loan amount to which the student is entitled. Your school must also reimburse the Department for the excess interest and special allowance payments made on the incorrect loan amount. (See GSL regulations, Section 682.609, for more information on remedial actions.)

Loan rehabilitation

If the student or parent borrower has made satisfactory arrangements to repay the debt owed on a loan or grant, and provides the school with a statement to that effect from the appropriate guarantor in the case of a

GSL, SLS, or PLUS, or from the school owed in the case of a grant, ICL or Perkins Loan, the applicant would be eligible for a GSL, PLUS, or SLS.

For defaulted Federally Insured Student Loans (FISL) or for Perkins Loans that have been assigned or referred to the Department of Education for collection, the Department considers "satisfactory arrangements to repay" to be three recent consecutive monthly payments in an amount large enough to ensure total repayment of the debt within three years. If the debtor can produce three recent cancelled checks, made out to the Department of Education in amounts large enough to pay off any outstanding balance within three years, you may consider those checks proof of "satisfactory arrangements to repay."

The Higher Education Amendments of 1986 and the Technical Amendments of 1987 require establishment of a pilot program to test the feasibility of rehabilitating defaulted GSL loans. The program will be tested by nine guarantee agencies over a 3-year period. For more information on the loan rehabilitation pilot program, contact the guarantee agency in your State.

If a loan obligation has been discharged in bankruptcy, it is no longer considered to be in default. If the applicant can find a lender willing to make a loan, the student is eligible for additional aid.

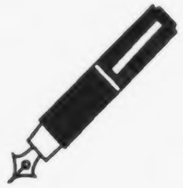
If a GSL applicant has been selected for verification, you have two options. You may either:

- o refuse to certify the GSL application until verification is completed or
- o certify the application, if there is no information which conflicts with that provided by the applicant, but you may not release GSL loan proceeds to the applicant until verification is completed.

If you certify a loan application and receive GSL loan proceeds which, upon completion of verification, are found to exceed the student's need for the loan, you can process the loan proceeds if the excess funds can be eliminated in subsequent disbursements of the loan. Another alternative is to reduce subsequent campus-based aid the student was scheduled to receive during the enrollment period. You should ask the student if he or she prefers to have the GSL or the campus-based aid reduced. If you're unable to adjust campus-based aid, you would then notify the lender to reduce subsequent disbursements for the remainder of that period of instruction. However, if the excess funds *cannot* be eliminated in subsequent loan disbursements, the institution must return the loan proceeds to the lender.

If the school has received GSL loan proceeds for a student, funds must be returned to the lender if the verification process is not completed within 45 days of receipt of the loan proceeds. See the section "Verification Requirements" under "Additional Requirements and Responsibilities of Schools" for more information on verification requirements.

After completing the school's portion of the application, you certify that the information you have provided is correct, and that the information provided by the student and/or parent (if the loan is a PLUS) is accurate to the best of your knowledge. Keep one copy of the application on file. The student (or the school on behalf of the student) sends the other copies of the application to the lender along with the Promissory Note, if included.



THE LENDER'S PORTION

The lender reviews the GSL application, and completes the Promissory Note and the lender portion of the loan application. The lender may require an endorser to sign the Promissory Note, if permitted to do so by the guarantor. The lender must receive approval of the guarantee agency for a GSL loan to be eligible for payment of Federal interest benefits. A lender or guarantee agency may not make or guarantee a GSL, PLUS, or SLS until it reviews its records and finds no indication that the applicant (or student, if the loan is a PLUS) is in default on a loan under Title IV made for attendance at *any* institution. Once guarantee agency approval is obtained, the lender will send the GSL or SLS loan proceeds (or the first disbursement of the proceeds) to the school's financial aid office for delivery to the student, or send the proceeds directly to the student if he or she is enrolled in a foreign school. For a PLUS, loan proceeds are sent to the student's parent, and the lender has 30 days to notify the school that the proceeds have been sent.

Loan Disclosure Statement

The lender or guarantor must also give the borrower a copy of the loan Disclosure Statement when the first loan disbursement is made. The Disclosure Statement will provide the borrower the following information:

- the name and address of the lender
- the amount of the loan
- the interest rate on the loan
- the length of the grace period
- the amount of the insurance premium, the loan origination fee, and any other charges, and how they are to be paid
- the yearly and cumulative maximum amounts that may be borrowed

- a statement that information concerning the loan (including the amount of the loan and the date of disbursement) will be reported to a credit bureau
- when repayment will begin, and when accrued interest must be paid
- the minimum annual payment required, and minimum and maximum repayment periods
- an estimate of the monthly payment due the lender, based on the borrower's cumulative outstanding debt (including the loan applied for)
- refinancing and consolidation options
- a statement of the borrower's right to prepayment
- a statement of circumstances under which repayment of principal or interest on the loan may be deferred
- notice of the Department of Defense repayment option (as an enlistment incentive)
- definition of default (including its consequences)
- effect of the loan on eligibility for other student assistance
- explanation of borrower costs incurred in making or collection of the loan

The information on the Disclosure Statement will be the most up-to-date information concerning the loan, and will reflect any changes in laws or Federal regulations that may have occurred since the Promissory Note was signed. If there is any conflict of information between the Promissory Note and the Disclosure Statement, the information on the Disclosure Statement applies. If the student has questions about the statement, or wishes to cancel the loan, he or she should contact the lender immediately and should *not* endorse the loan payment.

PAYMENT TO THE STUDENT

Requirements for release of loan proceeds

Before each delivery of loan proceeds to the student, the school must determine whether the student is still eligible for the loan. If the student is not eligible, the loan proceeds must be returned to the lender.

The lender must give the borrower a copy of the completed Promissory Note with the first disbursement of loan proceeds. The lender must return the original Promissory Note to the borrower when the loan is repaid in full.

If a student has been determined to be independent based on his or her financial independence as a graduate/professional student, his or her financial independence as a married person, or his or her self-sufficiency as a single undergraduate student, the student must provide satisfactory documentation of his or her independent status before delivery of GSL or SLS loan proceeds (or any other Title IV program funds) may be made.

If a student has received student financial aid while attending another school, you must request a financial aid transcript from any eligible school previously attended before you release GSL or SLS loan proceeds to the student. As explained in the section "The School's Portion" under "The Loan Application Process," you may certify a borrower's loan application (except for PLUS) prior to receipt of a financial aid transcript. If you can't get a financial aid transcript for the student (or information indicating that no Title IV assistance was received) because:

1) the previous school(s) provides you written notification that its records don't extend back far enough to include this student's records,

2) the school cannot provide a transcript because the school has closed and financial aid information for the student is not available, or

3) the previous school(s) attended was a foreign school,

you may release the loan proceeds to the student.

You may *not* release funds to the student if information provided by any school he or she previously attended indicates that the student is in default on a GSL, PLUS, SLS, Consolidation Loan, Income Contingent Loan, NDSL, or Perkins loan, or that the student owes a repayment on a Pell, SEOG, or SSIG grant. See Chapter 2 for more information on grant overpayments.

Requirements for disbursement

The money borrowed by the student under GSL or SLS Programs must be sent by the lender to the school in the form of a check or other means requiring endorsement or other certification by the student. The check must be made payable to the student or, if required by the guarantee agency, co-payable to the student and the school. However, if the student is attending a school located outside the United States, the check may be sent to the student. This requirement does not apply to parent PLUS borrowers.

The school may deliver loan proceeds to a registered student no earlier than 10 days before the first day of classes for that period of enrollment. The earliest that a school may credit a registered student's account is 3 weeks before the first day of classes for that enrollment period. The GSL regulations (Section 682.604) provide detailed instructions for processing loan proceeds.

You may not hold GSL or SLS loan proceeds for more than 45 days after receiving them. If all required financial aid transcripts have not been received by then, you must immediately return the loan proceeds to the lender.

Lenders must disburse all GSL loans in two or more installments if the loan is for $1,000 or more for any enrollment period that ends more than 6 months or 180 days after the initial disbursement is scheduled to be made. If multiple disbursements are required, no disbursement may exceed one half of the loan amount, and at least one-third of the total enrollment period covered by the loan must have passed before a second disbursement may be made. However, if necessary a second disbursement may be made before one-third of the total enrollment period has passed, to enable the disbursement to coincide with the beginning of the second semester, quarter, or similar academic period. These disbursement requirements do not apply to PLUS or SLS borrowers, to borrowers with Consolidation Loans, or to students attending foreign schools.

Handling overawards

As mentioned earlier, in circumstances where the school receives loan proceeds from a lender and then receives verification information (or any other information) indicating that the student has been overawarded, you must ensure that the student receives only the funds to which he or she is entitled. If the excess award money can be eliminated by reducing subsequent disbursements, you may release the loan proceeds to the student and notify the lender to adjust the remaining disbursements accordingly. If the excess funds cannot be eliminated in subsequent disbursements, or by adjustment to subsequent Title IV aid (other than a Pell Grant), the loan proceeds must be returned to the lender.

NOTE: Any additional loan proceeds in excess of those necessary to cover costs of attendance owed by the student, may be held by the school (for use during the remainder of the academic year) *only* with the written authorization of the student. (See GSL regulations, Section 682.604(d)(ii)).

LATE DISBURSEMENT

If the loan proceeds for a student arrive at the school after the end of the period of enrollment for which the loan was made, the proceeds must be returned to the lender within 30 days, unless the proceeds come with a notice from the lender stating that the late disbursement has been approved by the guarantee agency. Similarly, if the loan proceeds arrive at the school before the end of the enrollment period, but after the student has left school or dropped below half-time status, the school must return the loan proceeds to the lender within 30 days.

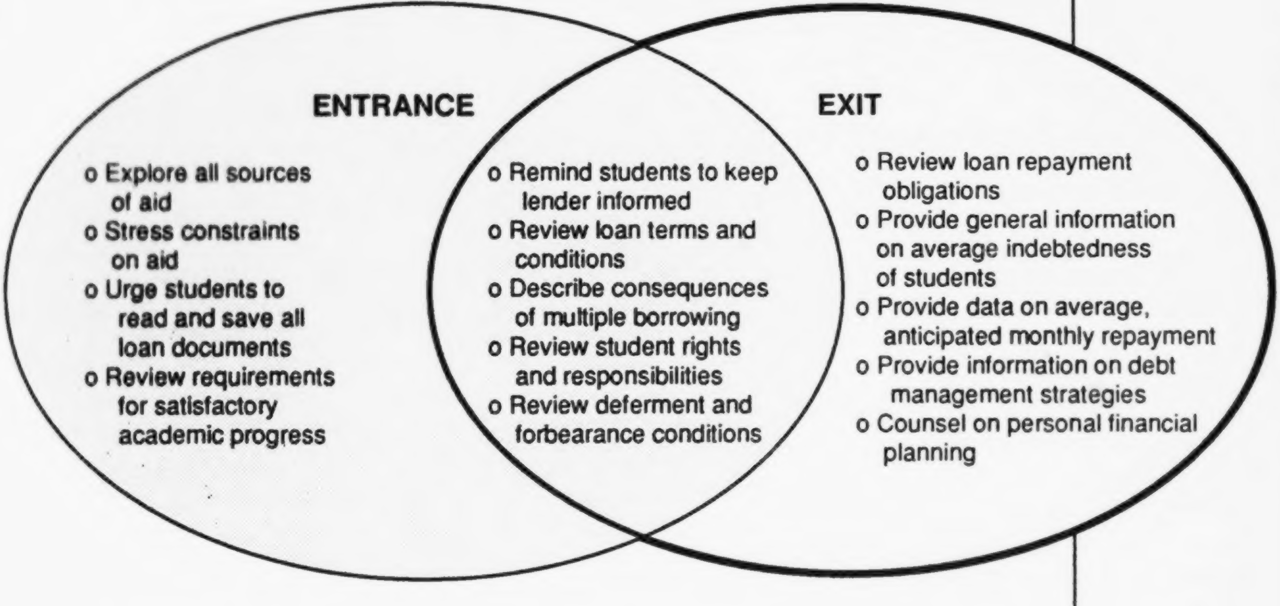
When returning a late disbursement to the lender, the school should include with it a note explaining the circumstances of its return and, if applicable, information concerning the student's enrollment status or withdrawal. The note should also include the cost of attendance for the period in which the student was enrolled. The student should be informed that the lender, if allowed by the guarantee agency, may again disburse funds to the school to cover costs owed the school while the student was eligible.

If the lender indicates in writing that a late disbursement has been approved by the guarantor, the school may follow the disbursement procedures described above. For more information on late disbursement, see the GSL regulations, Sections 682.604(e) and 682.207.

COUNSELING THE STUDENT

The major shift in emphasis from grants to loans, and increased concern about student loan defaults, have focused attention on the financial aid administrator's role as loan counselor. At present, only exit counseling is required by law. Ideally, counseling should be an ongoing process, beginning when students are given their financial aid "package," continuing with each loan disbursement, and concluding at the exit interview. The Technical Amendments of 1987 have extended still further the school's role in default prevention by allowing schools, under an agreement with a lender, to contact delinquent borrowers to influence them to avoid default.

The following illustration suggests the components for an entrance and an exit interview, with a "core" of information points appropriate for both.



ENTRANCE

- o Explore all sources of aid
- o Stress constraints on aid
- o Urge students to read and save all loan documents
- o Review requirements for satisfactory academic progress

- o Remind students to keep lender informed
- o Review loan terms and conditions
- o Describe consequences of multiple borrowing
- o Review student rights and responsibilities
- o Review deferment and forbearance conditions

EXIT

- o Review loan repayment obligations
- o Provide general information on average indebtedness of students
- o Provide data on average, anticipated monthly repayment
- o Provide information on debt management strategies
- o Counsel on personal financial planning

Suggestions to guide you in covering the above points are listed below.

The student should consider other forms of financial aid before applying for a student loan. You should ensure that other sources of available aid, such as State grant assistance, are explored before the student applies for a loan; otherwise, the money received from a GSL may *reduce* the amount which can be obtained from other sources. (Under the Program Participation Agreement [see Dear Colleague GEN-87-2] you must provide the student, in addition to State grant assistance information, a source of information for programs in the student's home State.) Information on other loan sources, such as health profession loans, should also be provided. Students should be cautioned to borrow the minimum amount necessary to pay for educational expenses.

The student should understand the constraints placed on student aid. GSL, PLUS, and SLS loans can *only* be used to pay for educational expenses at the school for which the loan application was made. You should also make clear to the student what kinds of expenses are considered "reasonable expenses" for which financial aid can be used.

The student should understand the importance of keeping the lender informed about changes in his or her status, enrollment, or financial condition. The student or parent borrower is required to inform the lender in writing if the student:

Borrower responsibilities (while in school)

- fails to enroll in school for the period for which the loan was intended
- changes schools
- changes enrollment status to less than half-time
- changes his or her name or address (including changes in the permanent address while in school)
- graduates or withdraws from school
- wishes to apply for a deferment
- wishes to request forbearance
- is having difficulty in repaying the loan.

You should emphasize to students that once they are in default, there is little that can be negotiated with regard to repayment. For example, a defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule.

The student should thoroughly understand the obligations incurred in making a loan. You should advise the student to read carefully the loan application, the Disclosure Statement, the Promissory Note, and the Borrower's Rights and Responsibilities before signing any of those documents. Often a student loan is the borrower's first experience in obtaining a loan of any kind. The obligations with regard to repayment should be thoroughly studied, and you should explain that the *exact* repayment schedule will not be provided until loan repayment begins. While the Disclosure Statement and the Promissory Note contain the total dollar amount of the loan, including interest and fees, they do not necessarily specify the amount of each payment or the frequency with which payments will be made.

You should also encourage students to think about what their income after graduation is likely to be, and how large a monthly payment they will be able to handle.

The student should understand the consequences of borrowing under more than one education loan program. You should explain the importance of considering total possible indebtedness as the result of borrowing under more than one loan program over a long period of time, e.g. as an undergraduate and graduate student. The potential minimum aggregate monthly payments should be estimated, along with repayment liability.

Loan refinancing and consolidation options

The student should be aware of refinancing and loan consolidation options, if he or she has multiple loans. The Higher Education Amendments of 1986 encourage the refinancing of student loans to facilitate debt management. A number of refinancing and consolidation options are available, and are outlined in Dear Colleague letter G-86-97. The following is a summary of those options:

o Outstanding, fixed rate SLS and PLUS loans made before July 1, 1987 may be refinanced either to secure combined payment, or to obtain the new variable interest rate (the latter option requires a new loan with a new Promissory Note and loan Disclosure Statement). If the lender denies the borrower's request for refinancing, the borrower may seek refinancing from another lender.

- GSL, FISL, Perkins Loans, PLUS loans to students, SLS, and Health Professions Student Loan programs may be consolidated if the student's cumulative loan debt is at least $5,000; the student is in the grace period or repayment period for all loans being considered; the student is not over 90 days delinquent on any of the loans being considered; and the student has no other Consolidation Loan applications pending.

PLUS loans to parents may not be consolidated.

Consolidation Loans have specific interest rate, repayment, and deferment conditions which will differ from the terms of the original loans; as with any loans, students will be subject to the conditions of the Promissory Note signed when the loan is consolidated.

The student should be encouraged to direct questions concerning loan refinancing and consolidation to his or her lender(s).

Suggested loan records students should keep

The student should keep a copy of all documents concerning education loans, and any other student aid received. You should encourage each student to keep a student loan file containing the following records:

- a copy of the loan application
- a copy of the Promissory Note and the loan Disclosure Statement
- a record of any loan checks received
- the loan repayment schedule, sent to the borrower when repayment begins
- a copy of any requests for deferment or forbearance, and of any other correspondence with the lender.
- a record of payments made by the borrower

In addition to counseling students about the responsibilities incurred in making a loan, students should be made aware of their rights as borrowers. Students have the right to complete information concerning:

Borrower rights

- the yearly and aggregate maximum amounts which may be borrowed under the various loan programs available to them
- the terms of the loan itself, including repayment, interest rate, rights of deferment, cancellation, prepayment, and consolidation
- the consequences of default
- the effect of accepting a loan with regard to future borrowing
- the school's policy concerning refunds, if the student withdraws from school.

(A more detailed list of borrower rights and responsibilities is found in *The Student Guide: Five Federal Financial Aid Programs, 88-89,* pp. 43-45.)

ADDITIONAL REQUIREMENTS AND RESPONSIBILITIES OF SCHOOLS

REFUND POLICY

Requirements for refund standards

Each school must establish a fair and equitable refund policy for making a refund of unused tuition, fees, and room and board charges to a student who receives a loan and does not enroll for the academic period for which the loan was intended; or who does not complete the academic period for which a loan was made. (The policy of course extends to a parent PLUS borrower for such a student.) A school's refund policy is fair and equitable if it conforms to applicable State law and specific refund standards set by the school's nationally recognized accrediting agency, and is approved by the U.S. Department of Education. If no such standards exist, the specific refund standards of another association of institutions of postsecondary education approved by the Department may be used, or the school may use the standards found in Appendix A of the GSL regulations, published on November 10, 1986. If you want to order a copy of the regulations, see Appendix C for the address to use for ordering regulations and any other OSFA publications you require.

For refund calculation procedures, see Chapter 2. When the school makes a refund to the lender, it must notify the student in writing and, if the borrower is the student's parent, it must also notify the parent.

Refund policy must be in writing

The school must state its refund policy clearly (in writing) and clearly state the procedure a student must follow to obtain a refund. The school must provide (in writing) a statement containing its refund policy to a prospective student prior to the student's acceptance for initial enrollment. The school must also make its refund policy known to currently enrolled students. If the policy changes, the school must inform all students of the change. Refunds of the proceeds of a GSL, SLS, or PLUS loan must be made to the lender within 30 days of the school's determination that a student has withdrawn from school. All refunds must be sent directly to the lender—they must not be given to the student or parent.

PROVIDING INFORMATION TO LENDERS

Schools are required to promptly inform the lender or the guarantee agency of any change in the borrower's permanent address, or any other change in student status that would affect the student's loan eligibility.

To promote loan repayment, schools now may make an agreement to provide the holders of delinquent loans made to current or former students with information about the delinquent borrower's location or employment, and may try to contact the borrower and counsel him or her to avoid default.

RECORDKEEPING, AUDITS, AND REPORTS

Loan records requirements

A school must maintain student loan records containing:

- the name of the borrower and a copy of the loan application
- if the PLUS borrower is a parent, the name of the student on whose behalf the loan was made
- the name of the lender (and address)
- the amount of the loan and the period for which the loan was intended
- the data used to construct an individual student budget or the school's itemized standard budget used in calculating the student's estimated cost of attendance
- the amount of the student's tuition and fees for that period, the date the student paid the tuition and fees, and the date the loan check was received and disbursed to the student
- for GSL, the data used to determine the student's Adjusted Gross Family Income and Expected Family Contribution.

For GSL and SLS, loan records must also contain:

- the date the school received each loan disbursement and the amount of the disbursement

- the date the loan check was endorsed by the school
- the date(s) of transmittal of loan proceeds to the student
- a record of the student's job placement, if known

Each school must establish a fiscal and administrative recordkeeping system, which may be maintained in computer or microfilm form. If a school is a lender and the holder of a promissory note, it must also retain the original note, to be returned to the borrower upon completion of repayment. A school must have an audit performed at least once every two years, covering the period of time since the previous audit. A school must agree to allow the U.S. Department of Education or a guarantee agency to audit school records periodically to determine compliance with Office of Student Financial Assistance regulations. Finally, each school must agree to comply with various reporting requirements as defined by the U.S. Department of Education. This includes the timely completion of a Student Confirmation Report received from the Department or from a guarantee agency.

For GSL, PLUS and SLS loans, you must keep all required records of each student who graduates, withdraws, or fails to enroll at least half time for 5 years following the last date of the period for which the loan was intended. You also must keep copies of reports and other forms related to GSL, PLUS, and SLS loans for 5 years after their completion. In the event of the closure, termination, suspension, or change of ownership of a participating school, that school or its successor must not only make provision for the retention of these records but must allow for access to the records by designated Federal officials for purposes of audit and examination.

Under Section 682.610 of the GSL regulations, all participating institutions must allow access to their records to the Department of Education or a guarantee agency in order to verify the accuracy of reports and compliance with applicable regulations.

The GSL and PLUS Programs are included in a combined audit guide for the NDSL, SEOG, CWS, and Pell Grant Programs, which was issued in spring 1984. See the *Audit Guide: Student Financial Assistance Programs.* (If you wish to order a copy of this *Guide,* see Appendix C for the address to use.) Following are some of the requirements subject to audit:

Requirements subject to audit

- The institution must determine student eligibility. If the PLUS borrower is a parent, you must also determine whether the parent is eligible to borrow on behalf of an eligible dependent student.

- The institution is responsible for completing portions of the loan application regarding student eligibility, the student's estimated cost of attendance, the student's estimated financial assistance, and, if applicable, the expected family contribution.

- The institution must follow prescribed procedures in the GSL regulations, Sections 682.604 and 682.606, for handling loan proceeds—which vary depending on whether the student does or does not enroll, and whether the proceeds are payable to the student only, or jointly to the student and the institution.

- When an institution becomes aware that: (1) a student with a deferment no longer meets the conditions for an in-school deferment, (2) a student who received a loan or for whom a PLUS loan was received failed to enroll at least half time for the period for which the loan was intended or was otherwise ineligible for the loan, or (3) a student's permanent address has changed, the information must immediately be reported to the lender or the guarantee agency.

- The institution must submit Student Confirmation Reports periodically.

- The institution should report a change in a student's enrollment status directly to the lender or guarantee agency if a student has graduated, withdrawn, or ceased to be enrolled at least half time and (1) the change is one which would normally be reported on a Student Confirmation Report and (2) the school does not expect to submit its next Student Confirmation Report to the Secretary (or guarantee agency) within the next 60 days.

Revised audit guide--effective June 1988

A revised audit guide for student financial assistance programs will be issued in May 1988, and will be effective for audit periods ending on or after June 30, 1988. The revised audit guide will include, in addition to the requirements listed above, new audit requirements covering a school's refund policy.

In order to comply with changes in the Program Participation Agreement made as a result of the Higher Education Amendments of 1986, each school is required to:

Program Participation Agreement requirements

- Provide students with recent data on employment and graduation statistics when advertising job placement rates
- Inform enrolled eligible borrowers of the availability of State grant assistance from the State in which the school is located, and a source of information for programs in the home State of the eligible borrower
- Certify the availability of a drug abuse prevention program for officers, employees, and students of the school.

The new Agreement also prohibits schools from charging students fees for processing applications or data required to determine eligibility for Title IV assistance, and prohibits the certification of loans in excess of the student's eligibility. Your school should have received a copy of Dear Colleague letter GEN-87-2 (January 1987), which provides information about the new Program Participation Agreement and instructions for its execution.

VERIFICATION REQUIREMENTS

Verification requirements for the Pell Grant Program were extended to all Title IV programs (except the PLUS Program) in March 1986. The *Guide to Changes for the 1988-89 Title IV Delivery System* (Dear Colleague letter GEN-88-7) provides detailed information on verification procedures for the 1988-89 award year. See also the *1988-89 Verification Guide,* to be published in spring 1988.

The items to be verified on a student's GSL application are:

Verification items

- adjusted gross income for the base year
- U.S. income tax paid for the base year
- number of family members in the household for the married independent applicant and his or her spouse if household size is greater than two, or number of family members in the household of the dependent student's married parents if household size is greater than three. These items must be verified only if more than 90 days

have elapsed between the date the application was signed and the date the applicant submits a SAR to the institution, or the date the institution received an output document from an approved need analysis system.

- o number of family members attending postsecondary educational institutions as at least half-time students if greater than one
- o certain untaxed income and benefits for the base year.

Foreign schools participating in the GSL Program are exempt from verification requirements.

CONSUMER INFORMATION

Chapter 2 covers the school's requirements for providing consumer information to students and prospective students.

PROHIBITION OF USE OF COMMISSIONED SALESPERSONS

An eligible school may not employ or use commissioned salespersons to promote the availability of loans. A "commissioned salesperson" is any person who receives compensation that is related to, or calculated on the basis of, student applications, enrollments, or acceptances. "Promote the availability" means providing prospective or enrolled students with applications, names of lenders, or other information designed to encourage students to apply for a GSL, PLUS, or SLS. This term does not prohibit the provision of general financial aid information to prospective or enrolled students.

Appendix A

GUARANTEE AGENCIES

ALABAMA
Alabama Commission on
Higher Education
1 Court Square, Suite 221
Montgomery, Alabama
36197-0001
(205) 269-2700

ALASKA
Alaska Commission on
Postsecondary Education
400 Willoughby Avenue
Box FP
Juneau, Alaska 99811
(907) 465-2854

ARIZONA
Arizona Educational
Loan Program
2600 North Central
Avenue, Suite 621
Phoenix, Arizona 85004
(800) 352-3033 (AZ
students only)
(602) 252-5793

ARKANSAS
Student Loan
Guarantee Foundation
of Arkansas
219 South Victory
Little Rock, Arkansas
72201-1884
(501) 372-1491

CALIFORNIA
California Student Aid
Commission
P.O. Box 945625
Sacramento, California
94245-0625
(916) 323-0435

COLORADO
Colorado Guaranteed
Student Loan Program
11990 Grant, Suite 500
North Glenn, Colorado
80233
(303) 450-9333

CONNECTICUT
Connecticut Student
Loan Foundation
25 Pratt Street
Hartford, Connecticut
06103
(203) 547-1510

DELAWARE
Delaware Higher
Education Loan Program
Carvel State Office
Building
820 North French Street
4th Floor
Wilmington, Delaware
19801
(302) 571-6055

DISTRICT OF COLUMBIA
Higher Education
Loan Program of
Washington, D.C.
1023 15th St., N.W.
10th Floor
Suite 1000
Washington, D.C. 20005
(202) 289-4500

FLORIDA
Office of Student
Financial Assistance
Department of Education
Knott Building
Tallahassee, Florida 32399
(904) 488-8093

GEORGIA
Georgia Student
Finance Commission
2082 East Exchange Place
Suite 200
Tucker, Georgia 30084
(404) 493-5468

HAWAII
Hawaii Education
Loan Program
P.O. Box 22187
Honolulu, Hawaii
96822-0187
(808) 536-3731

IDAHO
Student Loan Fund of Idaho, Inc.
Processing Center
P.O. Box 730
Fruitland, Idaho 83619
(208) 452-4058

ILLINOIS
Illinois State Scholarship
Commission
106 Wilmot Road
Deerfield, Illinois 60015
(312) 948-8550

INDIANA
State Student Assistance
Commission of Indiana
964 North Pennsylvania
Street
Indianapolis, Indiana
46204
(317) 232-2366

IOWA
Iowa College Aid
Commission
201 Jewett Building
9th and Grand Avenue
Des Moines, Iowa 50309
(515) 281-4890

KANSAS
Higher Education
Assistance Foundation
6800 College Blvd.
Suite 600
Overland Park, Kansas
66211-1532
(913) 345-1300

KENTUCKY
Kentucky Higher
Education Assistance
Authority
1050 U.S. 127 South
Frankfort, Kentucky
40601
(502) 564-7990

LOUISIANA
Governor's Special
Commission on Education
Services
P.O. Box 44127
Capitol Station
Baton Rouge, Louisiana
70804
(504) 342-9415

MAINE
Maine Department of
Educational and Cultural
Services
Division of Higher
Education Services
State House Station 119
Augusta, Maine 04333
(207) 289-2183

MARYLAND
Maryland
Higher Education
Loan Corporation
2100 Guilford Avenue
Room 305
Baltimore, Maryland 21218
(301) 333-6555

MASSACHUSETTS
Massachusetts
Higher Education
Assistance Corporation
Berkeley Place
330 Stuart Street
Boston, Massachusetts
02116
(617) 426-9434

MICHIGAN
Michigan
Department of Education
Guaranteed Student Loan
Program
Box 30047
Lansing, Michigan 48909
(517) 373-0760

MINNESOTA
Higher Education
Assistance Foundation
85 East 7th Street
Suite 500
St. Paul, Minnesota 55101
(612) 227-7661

MISSISSIPPI
Mississippi Guarantee
Student Loan Agency
3825 Ridgewood Road
P.O. Box 342
Jackson, Mississippi
39205-0342
(601) 982-6663

MISSOURI
Coordinating Board for
Higher Education
P.O. Box 1438
Jefferson City, Missouri
65102
(314) 751-3940

MONTANA
Montana University System
33 South Last Chance Gulch
Helena, Montana 59620-3104
(406) 444-6594

NEBRASKA
Higher Education Assistance
Foundation
Cornhusker Bank Building
11th and Cornhusker Highway
Suite 304
Lincoln, Nebraska 68521

Nebraska Student Loan
Program, Inc. (NSLP)
(information on GSL's)
P.O. Box 6961
Lincoln, Nebraska 68506-0961
(402) 476-9129

Nebraska Higher Education Loan
Program, Inc. (NEBHELP)
(information on PLUS, SLS,
consolidation loans, or refinancing)
P.O. Box 6535
Lincoln, Nebraska 68506-0535
Within Nebraska 1-(800) 742-009l
Out of State 1-(800) 443-8091

NEVADA
NGSLP Nevada
State Department of
Education
400 West King Street
Capitol Complex
Carson City, Nevada 89710
(702) 885-5914

NEW HAMPSHIRE
New Hampshire
Higher Education
Assistance Foundation
P.O. Box 877
Concord, New Hampshire
03302
(603) 225-6612

NEW JERSEY
New Jersey Higher
Education Assistance
Authority
C.N. 543
Trenton, New Jersey 08625
(609) 588-3200

NEW MEXICO
New Mexico
Educational Assistance
Foundation
P.O. Box 27020
Albuquerque, New Mexico
87125-7020
(505) 345-3371

NEW YORK
New York State Higher
Education Services
Corporation
99 Washington Avenue
Albany, New York 12255
(518) 473-1574

NORTH CAROLINA
North Carolina State
Education Assistance
Authority
P.O. Box 2688
Chapel Hill, North Carolina
27515-2688
(919) 549-8614

NORTH DAKOTA
Bank of North Dakota
Student Loan Department
P.O. Box No. 5509
Bismarck, North Dakota
58502-5509
(701) 224-5600

OHIO
Ohio Student Loan
Commission
P.O. Box 16610
Columbus, Ohio
43266-0610
(614) 466-3091

OKLAHOMA
Oklahoma State Regents
for Higher Education
500 Education Building
State Capitol Complex
Oklahoma City, Oklahoma
73105
(405) 521-8262

OREGON
Oregon State
Scholarship Commission
1445 Willamette Street
Eugene, Oregon 97401
1-(800) 452-8807
(within Oregon)
(503) 686-3200

PENNSYLVANIA
Pennsylvania Higher
Education Assistance
Agency
660 Boas Street
Harrisburg, Pennsylvania
17102
1-(800) 692-7392

RHODE ISLAND
Rhode Island Higher
Education Assistance
Authority
560 Jefferson Boulevard
Warwick, Rhode Island
02886
(401) 277-2050
Out of State Toll Free—
1-(800) 922-9855

SOUTH CAROLINA
South Carolina
Student Loan
Corporation
Interstate Center, Suite 210
P.O. Box 21487
Columbia, South Carolina
29221
(803) 798-0916

SOUTH DAKOTA
Education
Assistance Corporation
115 First Avenue, S.W.
Aberdeen, South Dakota
57401
(605) 225-6423

TENNESSEE
Tennessee Student
Assistance Corporation
400 James Robertson Parkway
Suite 1950, Parkway Tower
Nashville, Tennessee
37219-5097
[within TN—
1-(800) 342-1663]
(615) 741-1346

TEXAS
Texas Guaranteed Student
Loan Corporation
P.O. Box 15996
Austin, Texas 78761
(512) 835-1900

UTAH
Loan Servicing Corp.
of Utah
P.O. Box 30802
Salt Lake City, Utah
84130-0802
(801) 363-9151

VERMONT
Vermont Student
Assistance Corporation
Champlain Mill
P.O. Box 2000
Winooski, Vermont
05404-2000
[within VT—
1-(800) 642-3177]
(802) 655-9602

VIRGINIA
State Education
Assistance Authority
6 North Sixth Street
Suite 300
Richmond, Virginia 23219
(804) 786-2035

WASHINGTON
Washington Student
Loan Guaranty
Association
500 Colman Building
811 First Avenue
Seattle, Washington 98104
(206) 625-1030

WEST VIRGINIA
Higher Education
Assistance Foundation
Higher Education
Loan Program of
West Virginia, Inc.
P.O. Box 591
Charleston, West Virginia
25322
(304) 345-7211

WISCONSIN
Wisconsin Higher
Education Corporation
2401 International Lane
Madison, Wisconsin 53704
(608) 246-1800

WYOMING
Higher Education
Assistance Foundation
American National Bank
Building
1912 Capitol Ave.
Suite 320
Cheyenne, Wyoming
82001
(307) 635-3259

AMERICAN SAMOA
Pacific Islands
Educational Loan Program
United Student Aid
Funds, Inc.
1314 South King Street
Suite 961
Honolulu, Hawaii 96814
(808) 536-3731

**NATIONAL MARIANA
ISLANDS**
See American Samoa

**FEDERATED STATES
OF MICRONESIA
MARSHALL ISLANDS
REPUBLIC OF PALAU**
See American Samoa

VIRGIN ISLANDS
Virgin Islands
Board of Education
P.O. Box 11900
St. Thomas, Virgin Islands
00801
(809) 774-4546

USAF, INC.
United Student Aid Funds
Processing Center
P.O. Box 50827
Indianapolis, Indiana 46250
(800) 382-4506 (within IN)
(800) 824-7044

GUAM
See American Samoa

PUERTO RICO
Higher Education
Assistance Corporation
P.O. Box 42001
Minillas Station
San Juan, Puerto Rico
00940-2001
(809) 758-3356/3328

APPENDIX B

FEDERALLY OPERATED SCHOOLS

Community College of the Air Force—Montgomery, Alabama
American Samoa Community College—American Samoa
V.A. Hospital School of Medical Technology—Martinez, California
Naval Postgraduate School—Monterey, California
Panama Canal College—Canal Zone
United States Air Force Academy—Colorado Springs, Colorado
United States Coast Guard Academy—New London, Connecticut
U.S.A.F. School of Applied Aerospace Science—Chanute Air Force Base, Illinois
V.A. Hospital, YMCA Community College, School of Radiologic Technology—Hines, Illinois
V.A. Hospital School of Anesthesia for Nurses—Des Moines, Iowa
United States Army Command and General Staff College—Ft. Leavenworth, Kansas
United States Naval Academy—Annapolis, Maryland
Uniformed Services University of the Health Sciences—Bethesda, Maryland
United States Merchant Marine Academy—Kings Point, New York
V.A. Hospital School of Radiologic Technology—Northport, New York
United States Military Academy—West Point, New York
Air Force Institute of Technology—Dayton, Ohio
American College of Puerto Rico—Puerto Rico
Antillian College—Puerto Rico
Bayamon Central University—Puerto Rico
V.A. Center, School of Medical Technology—Wood, Wisconsin
V.A. Center, School of Radiologic Technology—Wood, Wisconsin

Note: This list is not necessarily a complete list of Federally operated postsecondary schools. There may be others. If other Federally operated schools are identified, please notify the GSL policy section by calling (202) 732-4242 or by writing to:

GSL Policy
400 Maryland Avenue, S.W.
(Room 4310, ROB-3)
Washington, D.C. 20202

APPENDIX C

LIST OF REFERENCED OSFA PUBLICATIONS

GEN-86-35 (November 1986)	- Initial information on major program changes mandated by the Higher Education Amendments of 1986 (PL 99-498)
86-G-96 (December 1986)	- Letter enclosing copy of GSL and PLUS Program final regulations (34 CFR Parts 682 and 683)—contains list of some of the regulations changed by the Higher Education Amendments of 1986
G-86-97 (December 1986)	- Changes Required by the Higher Education Amendments of 1986 (Reauthorization)
GEN-87-2 (January 1987)	- Letter concerning continued participation in Federal student aid programs (changes in the Program Participation Agreement required by the Higher Education Amendments of 1986)
GEN-87-29 (July 1987)	- Major Changes Resulting from the Higher Education Technical Amendments Act of 1987 (PL 100-50)
GEN-88-7 (January 1988)	- Guide to Changes for the 1988-89 Title IV Delivery System

Audit Guide: Student Financial Assistance Programs (Spring 1984) (revised *Guide* available May 1988)

The Congressional Methodology, 1988-89

1987-88 Verification Guide (1988-89 when available)

NOTE: If a school has not received one or more of these publications, please contact the Department's Information Section at the following address:

Development Branch, Division of Training and Dissemination
Office of Student Financial Assistance, OPE
U.S. Department of Education
400 Maryland Avenue, S.W.
(Room 4050, ROB-3)
Washington, D.C. 20202

phone: (202) 732-3154

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